A/73/5/Add.5

United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-third Session
Supplement No. 5

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Report of the Board of Auditors

United Nations • New York, 2018

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0807

[12 June 2018]

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Letters of transmittal

Letter dated 31 March 2018 from the Executive Director of the United Nations Institute for Training and Research addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit the financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2017, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Nikhil **Seth**
Assistant Secretary-General
Executive Director
United Nations Institute for Training and Research

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Institute for Training and Research (UNITAR), which comprise the statement of financial position (statement I) as at 31 December 2017 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNITAR, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The Executive Director of UNITAR is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director of UNITAR is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation

of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UNITAR to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UNITAR or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNITAR.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNITAR.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNITAR to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNITAR to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of UNITAR that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNITAR.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania

24 July 2018

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2017.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

With a surplus of $4.6 million for 2017, the accumulated surpluses of UNITAR increased from $21.3 million in 2016 to $25.6 million in 2017. The surplus for the year was offset in part by actuarial losses on employee benefits liabilities amounting to $0.3 million. The accumulated surpluses are accompanied by a stable liquidity position.

Key findings

After-service health insurance liabilities

The Institute's funding of after-service health insurance liabilities was 1 per cent of the net salary of its staff. The Controller, however, deemed 9 per cent of gross salary to be necessary for United Nations departments and offices. To mitigate the impact of a new funding policy on ongoing projects and programme delivery, at Headquarters a margin of 3 per cent of the gross salary of staff funded from voluntary contributions was to be applied as at 1 January 2017.

Indirect tax exemption

UNITAR did not conclude an agreement that would have allowed its office in Hiroshima, Japan, to benefit from tax exemptions. UNITAR also used outdated forms to claim exemption from value-added tax (VAT) in Switzerland.

Consultants and individual contractors

UNITAR makes frequent use of consultants but lacks a method to ensure comparability among their performance.

Anti-Fraud and Anti-Corruption Policy

The definition of fraud used by UNITAR differs from that used by the Secretariat. The Institute's enterprise risk management system, which is currently under development, does not focus on fraud, corruption or the misuse of resources by staff.

Recommendations

The Board recommends that UNITAR:

(a) **Review its funding policy for after-service health insurance liabilities in the light of the approach set out by the Controller in 2017**;

(b) **Continue to ensure that it has concluded appropriate VAT exemption agreements where possible and is using up-to-date VAT forms**;

(c) **Define criteria for awarding ratings to ensure comparability among consultants and establish a roster that links their performance evaluations to their specific fields of expertise;**

(d) **Replace paragraphs 8–10 of its Anti-Fraud and Anti-Corruption Policy with the respective parts of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat and include the issues of fraud, corruption and the misuse of resources in its enterprise risk management system.**

Follow-up of previous recommendations

Of the 13 extant recommendations, 9 (69 per cent) have been fully implemented, 3 (23 per cent) are under implementation and 1 (8 per cent) has been overtaken by events.

Key facts	
$32.8 million	Total revenue in 2017, including $28.5 million in voluntary contributions and $3.7 million for the provision of services
$4.6 million	Surplus shown in 2017
$25.6 million	Accumulated surpluses as at 31 December 2017
48	Staff members

A. Mandate, scope and methodology

1. The United Nations Institute for Training and Research (UNITAR) was established in 1965 as an autonomous body within the United Nations system with the purpose of enhancing the effectiveness of the United Nations through appropriate training and research. UNITAR is governed by a Board of Trustees and is headed by an Executive Director. It does not receive contributions from the United Nations regular budget. The Institute is supported by voluntary contributions from Governments, intergovernmental organizations, foundations and other non-governmental sources.

2. The Board of Auditors has audited the financial statements of UNITAR for the financial year ended 31 December 2017 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNITAR as at 31 December 2017 and its financial performance and cash flows for the year then

ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the Board of Trustees and recorded in accordance with the Financial Regulations and Rules of the United Nations.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed UNITAR operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This requires that the Board make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls and, in general, the administration and management of UNITAR operations.

6. The Board has taken up three cross-cutting audit topics in 2017: the use of consultants and individual contractors; the implementation of anti-fraud and anti-corruption measures; and safety and security. The Board also reviewed the follow-up actions taken by UNITAR on the recommendations of the previous audits.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly.

8. The Board's observations and conclusions have been discussed with UNITAR management, whose views are appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

9. Of the 13 pending recommendations as at 31 December 2016, 9 (69 per cent) have been fully implemented, 3 (23 per cent) are under implementation and 1 (8 per cent) has been overtaken by events. The recommendations that are under implementation date back to the previous two financial years. The action taken in response to the Board's previous recommendations is set out in detail in the annex.

10. In its previous report, the Board recommended that UNITAR update article VIII, paragraph 11, of its statute to reflect the transition from biennial to annual accounts. While the change has yet to be made, the Board acknowledges that UNITAR has taken all the necessary steps. The Board believes that the Secretary-General will make the amendment shortly.

11. The Board also acknowledges that UNITAR has further professionalized its Finance and Budget Section by offering continuous training to staff. The Board is confident that UNITAR will respond to the respective training requirements of other sections, should the need arise.

2. Financial overview

12. In 2017, UNITAR reported a surplus of $4.6 million and actuarial losses on employee benefits liabilities of $0.3 million. Its net assets increased from $21.3 million to $25.6 million. Total revenue for 2017 of $32.8 million increased by $9.1 million from $23.7 million in the previous year. This includes voluntary contributions of $28.5 million (87 per cent) and revenue from services rendered of $3.7 million (11 per cent). Voluntary contributions from Member States increased from $11.7 million in 2016 to $22.2 million in 2017. Other voluntary contributions

decreased from $8.4 million in 2016 to $6.3 million in 2017. Expenditure increased by 17.9 per cent from $23.9 million to $28.1 million.

13. In 2017, expenditure included $10.8 million for staff expenditure (2016: $10.1 million), $4.5 million for consultants (2016: $3.8 million) and $5.9 million for grants and other transfers (2016: $3.7 million).

14. The total assets of UNITAR have increased from $31.5 million as at 31 December 2015 to $32.2 million as at 31 December 2016 and further to $37.1 million at the end of the reporting period. Liabilities rose from $10.4 million as at 31 December 2015 to $10.9 million as at 31 December 2016 and further to $11.5 million as at 31 December 2017.

15. The Board has reviewed the financial situation of UNITAR according to the capital structure ratios, as shown in the figure below. The ratios indicate that net assets are sufficient to meet the Institute's short-term and longer-term liabilities.

Capital structure ratios

Ratio	*31 December 2017*	*31 December 2016*	*31 December 2015*
Total assets: total liabilities[a]			
Total assets: total liabilities	3.23	2.95	3.02
Current ratio[b]			
Current assets: current liabilities	22.68	15.02	12.83
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	20.04	12.40	11.68
Cash ratio[d]			
(Cash + short-term investments): current liabilities	12.22	8.09	7.56

Source: UNITAR financial statements.

[a] A high ratio is a good indicator of solvency.

[b] A high ratio indicates an entity's ability to pay off its current liabilities.

[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities. A high ratio indicates an entity's ability to pay off its current liabilities.

16. The Institute's current assets cover its total liabilities. Ratios have improved because current liabilities have decreased. The increase of current, quick and cash ratios has been driven by a 38.5 per cent decrease in current accounts payable and accrued liabilities. UNITAR has also entered into several multi-year agreements with its partners, significantly increasing its receivables balance.[1]

17. UNITAR carried out a case-by-case review of voluntary contributions receivables as at 31 December 2017 and consequently made accounting adjustments of $0.6 million, including a write-off of $75,600.[2]

Misstatements identified by the Board that have been corrected

18. The Board identified minor misstatements in the financial statements and the notes thereto, which it communicated to UNITAR. UNITAR shared the Board's

[1] See note 7 to the financial statements for the year ended 31 December 2017.

[2] Ibid.

opinion that these cases were misstated and made the relevant corrections. The misstatements concern four issues.

19. In note 6, "Cash and cash equivalents", and note 7, "Voluntary contributions receivable: non-exchange transactions", UNITAR recognized assets that were subject to stipulations not considered to be conditions, but it did not disclose the respective amounts. According to IPSAS 23.15, stipulations may be either conditions or restrictions. IPSAS 23.106 (d) requires the entity to disclose the amount of assets recognized that are subject to restrictions. UNITAR amended the notes to the financial statements to indicate that cash and cash equivalents include $2.972 million that are subject to general stipulations in the agreements which did not meet the requirements to be conditions and that voluntary contributions receivables include $7.22 million that are subject to general stipulations in the agreements which did not meet the requirements to be conditions.

20. In note 14, "Employee benefits liabilities", in the table on discount rate sensitivity analysis: year-end employee benefits liabilities", UNITAR reported the after-service health insurance liabilities' sensitivity for an increase of the discount rate by 1 per cent to be $1,046,000. According to the actuarial report, this sensitivity was calculated by applying a variation of 0.5 per cent of the actual discount rate.

21. In note 18, "Expenses", staff and personnel costs included tuition paid by the Institute's implementing partner. The respective amount was transferred to "Contractual services" under the same financial statements caption.

22. The UNITAR Operational Satellite Applications Programme contribution of $39,179 to the operating costs of the European Organization for Nuclear Research was accounted for as "Supplies and consumables" and was transferred to "Other operating expenses".

3. Indirect tax exemption

23. The General Assembly approved the Convention on the Privileges and Immunities of the United Nations on 13 February 1946 and proposed it for accession by all Member States. Under section 8 of the Convention, Members will, whenever possible, make appropriate administrative arrangements for the remission or return of the amount of duty or tax charged or chargeable on important purchases intended for official use. In general, Member States either offer to reimburse the value-added tax (VAT) or other consumer taxes on purchases and services that exceed a certain amount, or they exempt suppliers and service providers from charging VAT or other consumer taxes to United Nations entities. Generally, United Nations entities conclude agreements with the respective host countries to facilitate the process.

24. The Board found that UNITAR had yet to conclude such an agreement with Japan, although the Institute has an office in Hiroshima. UNITAR is therefore charged VAT by suppliers and service providers in Japan and does not receive refunds. The VAT burden on UNITAR in Japan amounted to some $25,000.

25. In Switzerland, the amount of VAT saved by UNITAR was approximately $73,000. However, the Board noted that UNITAR was using a tax exemption form dating to 1996. The form contains a reference to an outdated Swiss VAT regulation that was fully revised in 2009 and has been repeatedly amended since then. The most recent version of the form dates to 2017.

26. The Board holds that UNITAR should ensure that it meets all formal requirements in the respective Member States to obtain tax-exempt status. Using outdated forms may present a risk for ensuring tax exemption. Given that the Institute is funded entirely by voluntary and mostly earmarked contributions, its financial

resources may not cover tax risks. UNITAR should strengthen its efforts to enforce its tax-exempt status in various countries, as granted by the Convention.

27. UNITAR stated that there were only a limited number of vendors in Japan that had received VAT exemption status from the Ministry of Foreign Affairs. UNITAR stated that all United Nations agencies based in Japan faced the same situation. The head of the office in Hiroshima confirmed that most UNITAR vendors had not received VAT exemption status. The office was working with the Ministry to see if it could be granted a VAT exemption card in its name, which would qualify the office to receive tax-exempt goods and services from vendors that had gone through the Ministry's review process and been granted official tax-exempt status.

28. UNITAR also took note of the fact that the Swiss VAT form that it had been using was outdated. It informed the Board that it had never been notified about the revision of the form and that, to date, all vendors had accepted the outdated form. UNITAR had contacted the United Nations Office at Geneva and obtained the revised version of the form, which would be used in the future.

29. **The Board recommends that UNITAR continue to ensure that it has concluded appropriate VAT exemption agreements where possible and is using up-to-date VAT forms.**

30. UNITAR accepted the recommendation.

4. Funding after-service health insurance liabilities

31. The operating model of UNITAR relies heavily on earmarked voluntary contributions. To the extent that UNITAR relies on regular staff to carry out its operations, it incurs a liability from the obligation to provide after-service health insurance. As at 31 December 2017, the Institute's provision for this post-employment defined benefit liability amounted to approximately $8.1 million, of which $0.1 million was funded. In order to provide funding, a 1 per cent margin has been applied to the total of base salary and post adjustment less staff assessment in 2017. This was also the practice in previous years.

32. Pursuant to article VIII, paragraphs 1 and 4, of the statute of UNITAR, the Financial Regulations and the rules and procedures of the United Nations apply to the Institute's financial operations. Contributions that may directly or indirectly involve an immediate or ultimate liability for the Institute may be accepted only with the approval of its Board of Trustees.

33. Article VIII, paragraph 4, of the Institute's statute is similar to regulation 3.12 of the Financial Regulations and Rules of the United Nations. With reference to that regulation, and to safeguard future financial health, a United Nations inter-office memorandum to heads of departments and offices dated 29 November 2016 stressed the need to systematically set aside funds for after-service health insurance liabilities for personnel paid from voluntary contributions. The funding requirement was estimated to be as high as 9 per cent of gross salaries plus post adjustment for all categories of staff funded from voluntary contributions. To mitigate the impact of the new funding policy on ongoing projects and programme delivery, a margin of 3 per cent of gross salary for staff financed from voluntary funds was to be applied as at 1 January 2017.

34. The Board holds that UNITAR faces a challenge to the funding of its after-service health insurance liabilities that is comparable to the challenge faced by other United Nations entities. Although the inter-office memorandum was not addressed to UNITAR, the Board still holds that the Institute should exercise prudent financial management and demonstrate its strong commitment to financial sustainability in the long term, as UNITAR is financed primarily by earmarked voluntary contributions.

Since the Institute's ability to set aside funds for past commitments will remain limited, funding future liabilities for after-service health insurance is essential; the Board of Trustees should, therefore, approve the funding policy.

35. **The Board recommends that UNITAR review its funding policy for after-service health insurance liabilities in the light of the approach set out by the Controller.**

36. UNITAR accepted the recommendation. Its view was that the inter-office memorandum was applicable only to the Secretariat. The management of UNITAR had already reviewed funding for after-service health insurance in 2017, and the need to increase current levels of funding had been recognized. Given the significant impact on the budgets of current projects and donor agreements, management had decided to discuss the matter with the Board of Trustees and would implement any decisions that might emerge from those talks.

5. Consultants and individual contractors

37. In 2017, UNITAR hired 178 consultants and 153 individual contractors, at a cost of $4.3 million.

38. UNITAR issued an administrative circular on consultants and individual contractors (AC/UNITAR/2008/11) on 9 September 2008. AC/UNITAR/2008/11 No. 6 stipulates that the consultant selected shall be the most competent person for the work, chosen from as wide a number of nationalities as possible, from a roster of qualified male and female candidates. AC/UNITAR/2008/11 No. 14 stipulates that the performance of all consultants shall be evaluated by means of an evaluation form, with a summary rating recorded in a central roster as a reference for future consultancy contracts. Pursuant to AC/UNITAR/2008/11 No. 11, no consultant shall provide services for more than 24 months in a 36-month period.

39. The Board found that the performance evaluation form was purely an internal document. A performance deemed "satisfactory" qualifies for payment in full. Of the consultants hired and evaluated between the start of 2017 and 27 March 2018, the performance of 208 was deemed "excellent", 46 were rated "good" and only 1 was deemed "satisfactory". There is no guidance in place defining when performance exceeds satisfactory levels so much as to be considered good or even excellent.

40. The Institute's human resources department maintains annual reference files in which contracts for consultants and individual contractors are recorded at the time they are issued. The list maintained by the department does not contain contracts issued in the previous financial year. It is not considered a roster but a database intended to provide the department with statistical information, including the maximum duration of contracts and evaluation ratings. The list includes summary ratings based on performance evaluation. However, the list does not provide information on consultants' specific areas of expertise. This is done in a separate roster, which does not list summary ratings. The Board found that neither the list nor the roster indicated whether and how long an individual had previously worked as a consultant for UNITAR. At present, each time a request is made for a contract to be drawn up, the human resources department has to go back to the annual lists that it maintains and manually determine whether and how long the individual has worked for UNITAR over the past one to three years, to ensure that the length of the contract is within the allowed limits (24 months within 36 consecutive months for consultants and 10 months within 12 months for individual contractors). Two programmes (Peacekeeping Training and Multilateral Diplomacy) have established specific rosters for consultants with whom they have worked. The roster for the Peacekeeping Training Programme also indicates the consultants' performance evaluation ratings.

UNITAR is hesitant to share this information internally, as with more people having access to it, the ratings might become known to other consultants.

41. A roster dating back three years would facilitate the process by making the information on contract cycles readily available in a single document. The performance evaluations of consultants are recorded by the human resources department, but not in a central roster going back several years. The current system is not sufficient to be used as a reference tool for future consultant contracts. Even if the performance evaluations were recorded in a central roster, the inflationary use of top grades makes it difficult to tell which consultants truly excel and are the most competent, and should be selected for future contracts.

42. UNITAR stated that evaluations were completed by managers on the basis of the terms of reference, but with a certain degree of subjectivity. UNITAR confirmed that there was no connection between the roster and the annual files maintained by the human resources department. UNITAR stated that it was developing an online recruitment system that would also apply to consultants and individual contractors. Once the online recruitment system was operational, the roster would be generated automatically and the related information would be centralized. UNITAR would review the evaluation form to be used for payment purposes only.

43. **The Board recommends that UNITAR define criteria for awarding ratings to ensure comparability among consultants.**

44. **The Board also recommends that UNITAR establish a roster that links consultants' performance evaluations to their respective fields of expertise.**

45. UNITAR agreed with the recommendation.

6. Anti-Fraud and Anti-Corruption Framework

Definition of fraud

46. UNITAR issued its Anti-Fraud and Anti-Corruption Policy in March 2017. Paragraphs 8–10 of the policy contain a definition of fraud and corruption. Fraud is defined as "the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her detriment".

47. The Under-Secretary-General for Management issued the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat on 9 September 2016 in information circular ST/IC/2016/25. With a view to promoting a culture of integrity, the Framework provides information on how the Secretariat prevents, detects and responds to corruption and fraudulent acts, which are defined in paragraphs 5 and 6 of the Framework. Fraud is defined as "any act or omission whereby an individual or entity knowingly misrepresents or conceals a material fact in order to obtain an undue benefit or advantage for himself, herself, itself or a third party, or to cause another to act to his or her detriment".

48. The Board notes that, while the Institute's definition of fraud is not necessarily false, it differs from that of the Secretariat. The Board does not see any reason why this should be the case.

49. UNITAR stated that administrative instructions issued by the Secretariat and the Secretary-General's bulletins were not applicable to it. Nevertheless, after considering the relevance of the Board's observation, UNITAR concurred with its view.

50. **The Board recommends that UNITAR replace paragraphs 8–10 of its Anti-Fraud and Anti-Corruption Policy with the respective parts of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat.**

51. UNITAR accepted the recommendation.

Performance evaluations for members of the Integrity and Ethics Oversight Committee

52. UNITAR established an Integrity and Ethics Oversight Policy and an Integrity and Ethics Oversight Committee in line with administrative instruction AC/UNITAR/2009/02. The Committee is tasked with undertaking preliminary investigations and studying the facts of cases when allegations of misconduct are received or breaches of integrity are reported, as well as cases related to post facto transactions. The Committee, which reports to the Executive Director, is composed of three members appointed for two years. Membership rotates among UNITAR staff (see AC/UNITAR/2009/02 Nos. 16–19).

53. The Board found that participating in the work of the Committee consumed up to 20 per cent of the respective staff members' regular work time, but is not included in their performance evaluations. UNITAR staff also informed the auditors that rotating after two years of service as a Committee member was premature, as familiarization with the respective tasks was time-consuming and there was a constant need for incoming committee members to familiarize themselves with their tasks.

54. The Board holds that performance evaluations are complete only if they consider all tasks incumbent on staff members, irrespective of individual workplans. In the light of the above, Committee membership should be duly acknowledged.

55. UNITAR stated that members of internal committees should indeed include their tasks and responsibilities as committee members in their performance evaluations and their managers should acknowledge their contribution to the overall management of the Institute.

56. **The Board recommends that UNITAR include internal committee work carried out by staff members in their performance evaluations.**

57. UNITAR agreed with the recommendation.

Enterprise risk management

58. UNITAR has not conducted a fraud risk assessment. It is currently developing a prototype enterprise risk management framework that is designed to assess risk, including the risk of fraud. UNITAR plans to constitute an enterprise risk management monitoring committee. The enterprise risk management framework under development includes a risk universe currently composed of four pillars (financial, programmatic/strategic, organizational and operational); five impact dimensions (finance, delivery of results, health, safety and security, and compliance and reputation); the likelihood of occurrence; and control effectiveness measures. The Institute's budget is project-based, which means that all expenses, including salaries, must be met from the project. The Institute's Anti-Fraud and Anti-Corruption Policy applies to all programmes and operations. It focuses on preventive measures, and paragraph 14 stipulates that managers are responsible for ensuring that the risk of fraud and corruption is identified during the project design phase.

59. The Board found that in its current draft development stage, the enterprise risk management framework did not fully address the risk of fraud, corruption or misuse of resources by UNITAR staff, but rather by the partners that UNITAR uses. Since the Institute's budget is project-based, all expenses, including salaries, must be met from project work. As managers are responsible for ensuring that the risk of fraud and corruption is identified during the project design phase, the Board holds that this constellation might produce conflicts of interest. Decision makers who are personally

financially affected by the decisions that they take for their employer might be led to put their personal interests above those of the Institute.

60. UNITAR stated that its management viewed acts of fraud, corruption and misuse of resources as highly transversal phenomena. Moreover, fraud might both represent a risk and manifest itself as a consequence of a risk not having been sufficiently addressed. However, the enterprise risk management prototype shared with the Board had yet to be fully populated with risks, including fraud and fraud-related risks, and had not been finalized.

61. **The Board recommends that UNITAR include fraud, corruption and misuse of resources by UNITAR staff as risk factors in the enterprise risk management system that is currently under development.**

62. UNITAR agreed with the recommendation.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

63. UNITAR reported write-offs on voluntary contributions receivables amounting to $75,600 in 2017.

2. Ex gratia payments

64. UNITAR reported no ex gratia payments in 2017.

3. Cases of fraud and presumptive fraud

65. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

66. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that has been brought to its attention. The Board also inquired whether management has any knowledge of any actual, suspected or alleged fraud. No cases of fraud have been brought to the Board's attention.

D. Acknowledgement

67. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNITAR and the members of his staff.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania

24 July 2018

Annex

Status of implementation of recommendations up to the year ended 31 December 2016

No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*UNITAR response*	*Board's assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
1	A/69/5/Add.5, chap. II, para. 34 2012–2013	Consult with donors before disposing of the surplus of completed projects and use the funds of the ongoing projects in compliance with the requirements of the letter of agreement.	UNITAR now ensures that surplus funds from completed projects are disposed of in accordance with contractual arrangements agreed with donors. Where the refund processes are unclear and not stated in the agreements, UNITAR has introduced a process where a grant closure form is signed by UNITAR and the donors, addressing the residual balances, after agreeing on the modality for dealing with their disposal. Donor refunds made during 2017 amounted to $273,000 (against $94,000 in 2016 and $41,000 in 2015). Management considers this recommendation to have been implemented.	The Board considers this recommendation to have been implemented.	X			
2	A/69/5/Add.5, chap. II, para. 37 *2012–2013*	Comply with the requirements of the *letters of agreement to* submit financial reports to donors in a timely manner.	Financial reports for legacy projects where information was dependent on the *Integrated* Management Information System (IMIS) have been overtaken by the migration to Atlas in July 2015. The programmes frequently undergo amendments and no-cost extensions that require edits to the due dates for financial reports. Further, owing to late arrival of funds or slow implementation progress, the original deadlines for financial reports also change and are no longer valid. UNITAR has strengthened the processes, taking into consideration all such changes (amendments, implementation delays, delays in liquidation of obligations, etc.). Management considers this recommendation to have been implemented.	The Board considers this recommendation to have been implemented.	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification			
					Implemented	Under implementation	Overtaken by events	Not implemented
3	A/70/5/Add.5, chap. II, para. 23 2014	Put in place a proper system for timely reconciliation of the United Nations Development Programme (UNDP) project clearing account so that any discrepancy in the account can be addressed before the finalization of the financial statements.	The related unreconciled items of $164,000 and $32,000 have been taken up with UNDP and the outstanding amounts have been received. With the migration to Atlas from July 2015 onwards, these accounts are now part of an inter-fund settlement with UNDP that is reconciled and signed off on a quarterly basis. Management considers this recommendation to have been implemented.	The Board considers this recommendation to have been implemented.	X			
4	A/70/5/Add.5, chap. II, para. 28 2014	Put in place a system to ensure the timely financial closure of projects.	UNITAR has finalized the alignment of the project end dates within Atlas and created a report that will provide "project listing with start and end dates". A UNITAR financial dashboard has also been built that is accessible to all UNITAR employees who provide project balances on a real-time basis. With these two tools, UNITAR now has a good mechanism to monitor project end dates and project balances, which will enable timely operational and financial closure of projects. In 2017, a total of 142 projects (both active and inactive) migrated into Atlas were closed. A list of projects that have project end dates of 31 December 2017 with no extensions and amendments have been identified and operationally closed. Management considers this recommendation to have been implemented.	The Board considers this recommendation to have been implemented.	X			
5	A/70/5/Add.5, chap. II, para. 32 2014	Finalize all financial reports in a time-bound manner.	Financial reports for legacy projects where information was dependent on IMIS were overtaken by the migration to Atlas in July 2015. Several active and inactive projects that were migrated have been operationally and financially closed. For most of the recent projects that started in Atlas, the financial reports are being produced in a timely manner as soon as the projects end and donors or programmes request them. The progress of project end dates is being	The Board found that, following the introduction of Atlas and the financial dashboard, financial reports were being produced in a timely manner. The Board is confident that this change in systems will enable UNITAR to			X	

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification			
					Implemented	Under implementation	Overtaken by events	Not implemented
			monitored through Atlas reports and the UNITAR financial dashboard rolled out in 2017. The project tracking tool is no longer used to track financial reporting, as this is now done with the help of Atlas and the dashboard, along with a tracking sheet developed by the Finance and Budget Section. Management considers this recommendation to have been implemented.	meet its pledge to track and complete all outstanding financial reports. The Board considers this recommendation to have been overtaken by events.				
6	A/70/5/Add.5, chap. II, para. 36 2014	Institute a mechanism to monitor and settle refunds due to donors.	UNITAR has now finalized the alignment of the project end dates within Atlas and created a report that will provide "project listing with start and end dates". A UNITAR financial dashboard has also been built. With these two tools, UNITAR now has a good mechanism to monitor project end dates and project balances that will enable easy reconciliation and refund balances in a timely manner. Donor refunds made in 2017 amounted to $273,000 (as against $94,000 in 2016 and $41,000 in 2015). Management considers this recommendation to have been implemented.	The Board considers this recommendation to have been implemented.		X		
7	A/71/5/Add.5, chap. II, para. 20 2015	The Board recommended that the Secretariat consult the Office of Legal Affairs to confirm that the delegations made by the Controller were in conformity with the requirements of the UNITAR statute and the Financial Regulations and Rules of the United Nations.	After consultation between the Office of the Controller and the Office of Legal Affairs, the Secretariat and UNDP have entered into a new, updated service-level agreement. Management considers this recommendation to have been implemented.	The Board considers this recommendation to have been implemented.		X		
8	A/71/5/Add.5, chap. II, para. 41 2015	The Board recommended that UNITAR develop a standard format for reporting project budgets, including details on	A multi-year budgeting process in standard formats was initiated across all programmes. Without a standard budget in Atlas format, project transactions will not be processed. The initiative is supplemented by activating the project budget balance in	The Board acknowledges the progress UNITAR has made in using standard formats. At a later stage, the Board sees		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
		variances from forecast levels of expense.	Atlas. Access to Atlas by programme staff has been reviewed to provide access that will help project spending against budgets and enable staff to initiate budget revisions as frequently as required within the agreed parameters of the agreements. In addition, a standard budget format was included in the "Grant-out" agreement templates. Programme managers continue to manage both Atlas budgets and off-line budgets for top donors such as the United Nations Environment Programme, the European Commission, Switzerland and Germany, whose budget requirements are detailed and specific to their organizational requirements, and not easily supported by the enterprise resource planning system. Management considers this recommendation to have been implemented.	the value in reviewing the cost allocation, especially for personnel, in these formatted reports. The Board considers this recommendation to have been implemented.				
9	A/71/5/Add.5, chap. II, para. 45 2015	The Board recommended that UNITAR establish an entity-level risk register to identify and manage risks outside the scope of its current project risk management.	Following its review of the report of the Joint Inspection Unit on risk management and the risk management frameworks of selected United Nations entities, UNITAR has developed a prototype enterprise risk management framework that will be discussed at its next managers' meeting, with a view to agreeing on the initial risk universe, impact parameters and other methodological considerations. The Executive Director will thereafter (in the second quarter of 2018) constitute an enterprise risk management monitoring committee. Management considers this recommendation to be under implementation and expects it to be implemented by the end of the second quarter of 2018.	The Board considers this recommendation to be under implementation.		X		
10	A/72/5/Add.5, chap. II, para. 21 2016	The Board recommended that UNITAR update article VIII, paragraph 11, of its statute concerning	Pursuant to article XI of the statute, the Board of Trustees recommended that the Secretary-General amend article VIII, paragraph 11, to read as follows: "The funds	The Board acknowledges that while the amendment has not yet been made,		X		

No	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification			
					Implemented	Under implementation	Overtaken by events	Not implemented
		the preparation of the annual financial statements.	of the Institute shall be held and administered solely for the purposes of the Institute. The Controller of the United Nations shall perform all necessary financial and accounting functions for the Institute, including the custody of its funds, and shall prepare and certify the annual accounts showing the status of the Institute's special account." The Controller has taken note of the progress made in updating the statute. Management considers the recommendation to have been implemented.	UNITAR has taken all the necessary steps. Pursuant to article XI of the statute, the Secretary-General will make the amendment in the near future. The Board considers this recommendation to have been implemented.				
11	A/72/5/Add.5, chap. II, para. 31 2016	The Board recommended that UNITAR continue to further professionalize its Finance and Budget Section by offering continuous training to the Section staff.	A programme to further strengthen the knowledge of accounting processes and improve the overall capacity of the team has been developed and was implemented in 2017. Periodical technical quizzes, based on internal training sessions and staff meetings, are organized for staff. Three staff members from the Finance and Budget Section have been enrolled in the UN/UNDP Chartered Institute of Public Finance and Accountancy. Also in 2017, the Finance and Budget Officer (P-2) successfully completed the Association of Chartered Certified Accountants professional programme, while another member of the team passed all three of the Association of Chartered Certified Accountants foundation courses and got a certificate. New job descriptions have been finalized. Management considers this recommendation to have been implemented.	The Board considers this recommendation to have been implemented.	X			
12	A/72/5/Add.5, chap. II, para. 45 2016	The Board recommended that UNITAR raise the awareness of donors of the importance that recruitment be in line with the United Nations policies on the general elimination of	UNITAR will systematically propose to donors a budget component related to the policies on the general elimination of discrimination. The target date for implementing this recommendation is the fourth quarter of 2018. Management considers this recommendation to be under implementation.	The Board considers this recommendation to be under implementation.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification			
					Implemented	Under implementation	Overtaken by events	Not implemented
		discrimination and that costs emerging from these policies be covered by the project funds.						
13	A/72/5/Add.5, chap. II, para. 46 2016	The Board recommended that UNITAR examine which measures are suitable to create a non-discriminatory and inclusive working environment.	UNITAR will undertake a review of existing practices at the United Nations with a view to determining what measures can be taken to create a non-discriminatory and inclusive working environment at UNITAR. UNITAR will implement measures that are feasible without further input. It will contact the manager of the building to address the issue of accessibility, add a specific paragraph in its vacancy announcements, appoint a focal point, and make the necessary preparations to equip offices whenever dedicated project resources are available. The target date for implementing this recommendation is the second quarter of 2018. Management considers this recommendation to be in progress.	The Board considers this recommendation to be under implementation.		X		
	Total				**9**	**3**	**1**	**0**
	Percentage				**69**	**23**	**8**	**0**

Chapter III
Certification of the financial statements

Letter dated 23 March 2018 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2017 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarifications of the financial activities undertaken by the Institute during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Institute for Training and Research, numbered I to V, are correct, in all material respects.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General
Controller

Chapter IV
Financial report for the year ended 31 December 2017

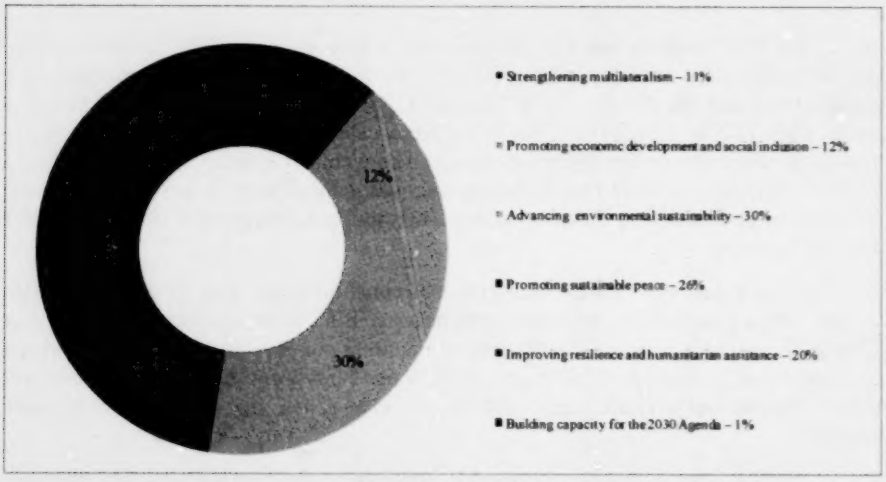
A. Introduction

1. The Executive Director has the honour to submit the financial report on the financial statements of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2017.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2017. The report provides an overview of the position and performance of UNITAR, highlighting trends and significant movements. The annex to the present report provides supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. UNITAR is a dedicated training arm of the United Nations. Aiming to strengthen the effectiveness of the United Nations, the mission of UNITAR is to develop the capacities of individuals, organizations and institutions to enhance global decision-making and to support country-level action for shaping a better future. Under the strategic framework for 2014–2017, the Institute works in six broad programming areas: strengthening multilateralism, promoting economic development and social inclusion, advancing environmental sustainability and green growth, promoting sustainable peace, improving resilience and humanitarian assistance and strengthening the implementation of the 2030 Agenda for Sustainable Development. The proportion of the 2016–2017 budget corresponding to each programme area is shown in figure IV.I below.

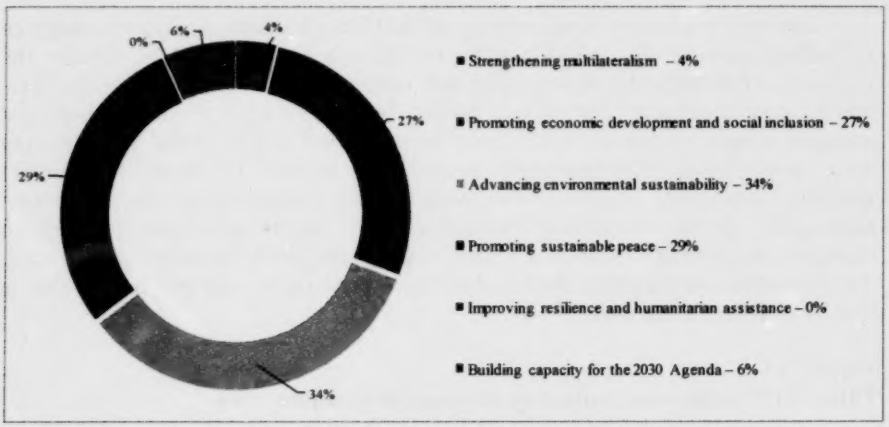
Figure IV.I
2016–2017 programme budget by strategic programme area


12%
30%
Strengthening multilateralism – 11%
Promoting economic development and social inclusion – 12%
Advancing environmental sustainability – 30%
Promoting sustainable peace – 26%
Improving resilience and humanitarian assistance – 20%
Building capacity for the 2030 Agenda – 1%

4. Over the course of the 2016–2017 biennium, UNITAR made progress towards the achievement of its objectives through the provision of training, learning and knowledge-sharing services to 111,737 beneficiaries (representing an increase of 52 per cent from the 2014–2015 figure). In 2017, UNITAR continued to provide training, learning and knowledge-sharing services and reached out to 56,897 individuals, reflecting a 4 per cent overall increase from 2016, and the highest number of total beneficiaries in the Institute's history. As shown in figure IV.II below, 63 per cent of

beneficiaries were associated with programming related to the advancement of environmental sustainability and green development and the promotion of sustainable peace. The majority of UNITAR beneficiaries (67 per cent) were associated with specific learning outcomes in 2017. The number of such beneficiaries increased by 12 per cent, from some 34,000 in 2016 to 38,004 in 2017. This marked increase is attributed largely to the continued delivery of the predeployment peacekeeping training courses targeting African peacekeepers; the introductory e learning course on climate change, administered in partnership with agencies of the One UN Climate Change Learning Partnership; and the increase in participants enrolled in an e-learning course that introduces the 2030 Agenda for Sustainable Development. Participants in knowledge-sharing conferences and related events decreased by 4 per cent, from 16,148 in 2016 to 15,487 in 2017.

Figure IV.II
Beneficiaries by programme area



5. The 2017 outputs were produced with a budget of $25.677 million (2016: $25.677 million), actual expenditure of $28.144 million (2016: $23.755 million) on a budget basis and the delivery of 497 events (2016: 456 events), equivalent to 3,474 event days (2016: 2,963 event days) over the calendar year. The overall male-to-female gender ratio of beneficiaries remained constant with 66:34 in 2016 and 66:34 in 2017. This ratio reflected the high proportion of male military and related personnel enrolled in peacekeeping training courses. Without peacekeeping training, the ratio for 2017 was 56:44.

6. UNITAR serves a broad-based group of constituencies, with 51 per cent (2016: 53 per cent) of its learning-related beneficiaries coming from government; 29 per cent (2016: 27 per cent) from non-State sectors, including non-governmental organizations, academia and businesses; 6 per cent (2016: 4 per cent) from the United Nations and other international organizations; and 14 per cent (2016: 16 per cent) from other sectors.

7. UNITAR uses a strong partnership strategy to deliver high-quality training, combining the substantive expertise of United Nations entities and other institutions with its own expertise in programming, instructional design and adult learning. Sixty-five per cent of beneficiaries participated in learning-related events implemented with partners. Partners have included organizations as diverse as other United Nations entities, regional organizations, national training institutes, foundations, universities, non-governmental organizations and the private sector.

B. Overview of the financial statements for the year ended 31 December 2017

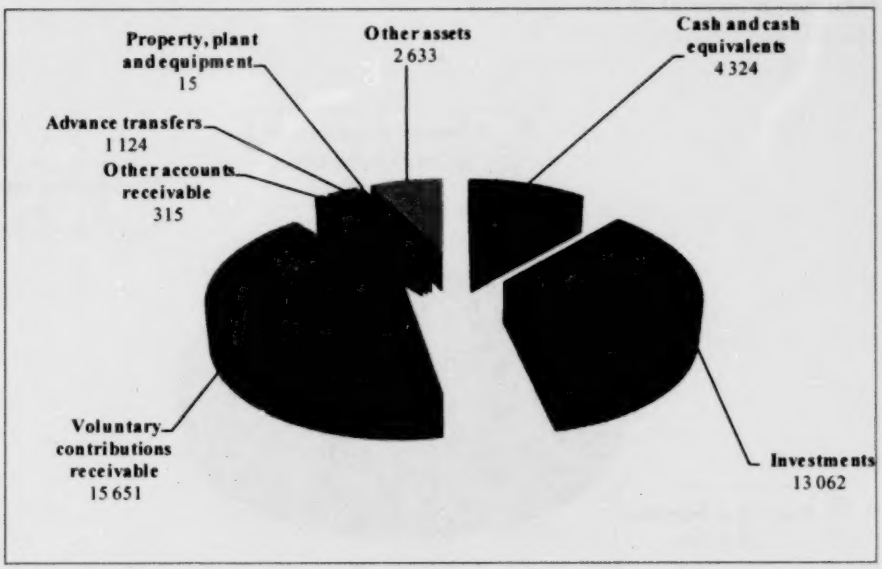
8. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2017. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

9. UNITAR reports an increase in total assets of $4.876 million as at 31 December 2017 from the balance of $32.247 million reported as at 31 December 2016, to the current $37.124 million. Figure IV.III below sets out the structure of the Institute's assets as at 31 December 2017.

Figure IV.III
Total assets as at 31 December 2017
(Thousands of United States dollars)



10. As shown in figure IV.III above, the Institute's assets largely comprised voluntary contributions receivable from donors of $15.651 million or 42.2 per cent (2016: $10.637 or 33.0 per cent), investments reported at $13.062 million or 35.2 per cent (2016: $10.651 million or 33.0 per cent) and cash and cash equivalents totalling $4.324 million or 11.6 per cent (2016: $5.121 million or 15.9 per cent). The remaining 11.0 per cent (2016: 18.1 per cent) comprised advances transferred to implementing partners of $1.124 million (2016: $2.792 million), other accounts receivable of $0.315 million (2016: $0.723 million), other assets of $2.633 million (2016: $2.299 million) and property, plant and equipment of $0.015 million (2016: $0.024 million).

11. Cash and cash equivalents and investments as at 31 December 2017 were reported at $17.386 million (2016: $15.772 million), comprising $6.2 million (2016: $1.7 million) invested in time deposits, $11.062 million invested in non-call bonds

and $0.124 million (2016: $3.120 million) in cash. The overall cash, cash equivalents and investments balance represents an increase of $1.614 million (10.2 per cent) compared with the balance held at the end of 2016. The above cash and cash equivalents include $2.972 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under IPSAS 23.

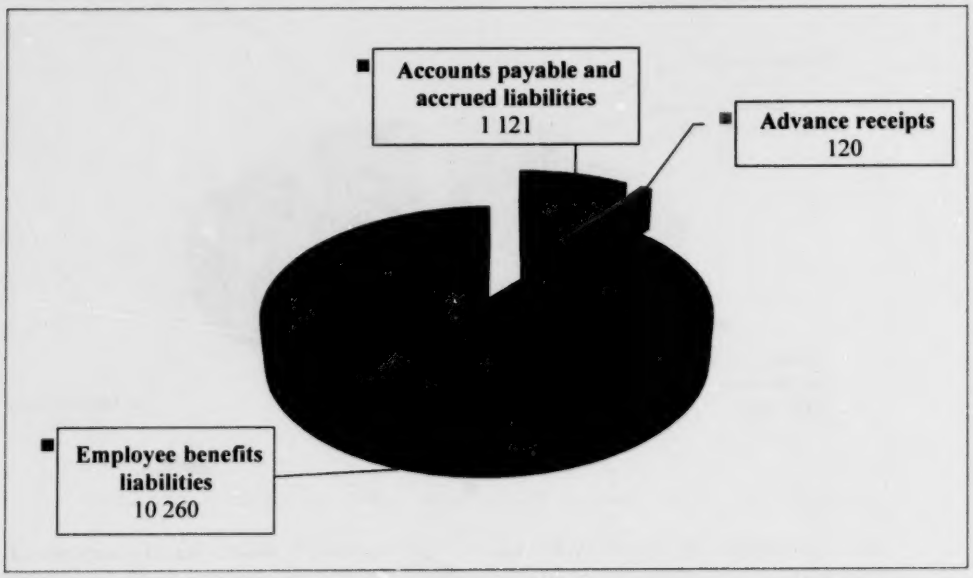
12. From the total accounts receivable value of $15.651 million due at 31 December 2017, $10.820 million is expected to be received in 2018 and the balance of $4.831 million is expected after 2018. The above receivables include $7.22 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under IPSAS 23.

Liabilities

13. Liabilities as at 31 December 2017 totalled $11.501 million compared with the balance of $10.931 million at 31 December 2016.

14. Figure IV.IV below sets out the structure of the Institute's liabilities as at 31 December 2017.

Figure IV.IV
Total liabilities as at 31 December 2017
(Thousands of United States dollars)

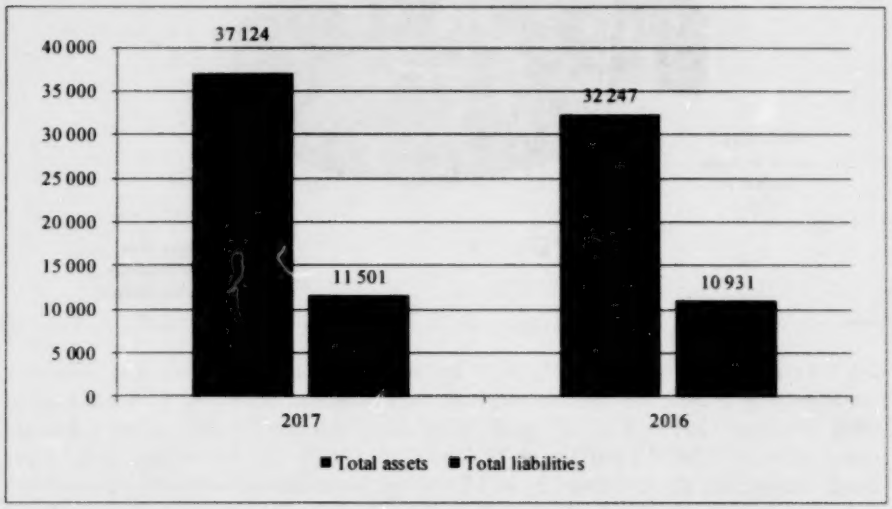


15. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily, these were liabilities for after-service health insurance. Employee benefit liabilities accounted for $10.260 million, representing 89.2 per cent of the Institute's total liabilities, and are explained in detail in note 14 of the financial statements. The increase in employee benefit liabilities by $1.256 million from the $9.004 million reported in 2016 (82.4 per cent of total liabilities) was due to recognizing interest and service costs of $1.007 million. In addition to the increase in recognizing current-year charges, there was an actuarial loss of $0.319 million (2016: $0.391 million gain) that arose from changes in financial assumptions (mainly discount rates) and by benefits paid during the year.

16. The other significant liability was the accounts payable and accrued liabilities of $1.121 million (2016: $1.894 million). This amount relates primarily to payables to vendors in the amount of $0.490 million, while $0.276 million represents payables to other United Nations reporting entities and $0.316 million represents accruals for goods and services received in 2017.

Figure IV.V
Movement in assets and liabilities as at 31 December 2017

(Thousands of United States dollars)



17. Figure IV.V shows a significant increase of 15.1 per cent in the assets held, from $32.247 million reported in 2016 to $37.124 million reported for 2017, and a 5.2 per cent increase in liabilities, from $10.931 million reported in 2016 to $11.501 million reported for 2017. The liability/asset ratio remained steady in 2017 at 31.0 per cent, compared with 33.9 per cent reported for 2016.

Net assets

18. The movement in net assets during the year shows an increase of $4.307 million from the net assets of $21.316 million at the end of 2016, reflecting an operating surplus of $4.626 million offset by actuarial losses of $0.319 million.

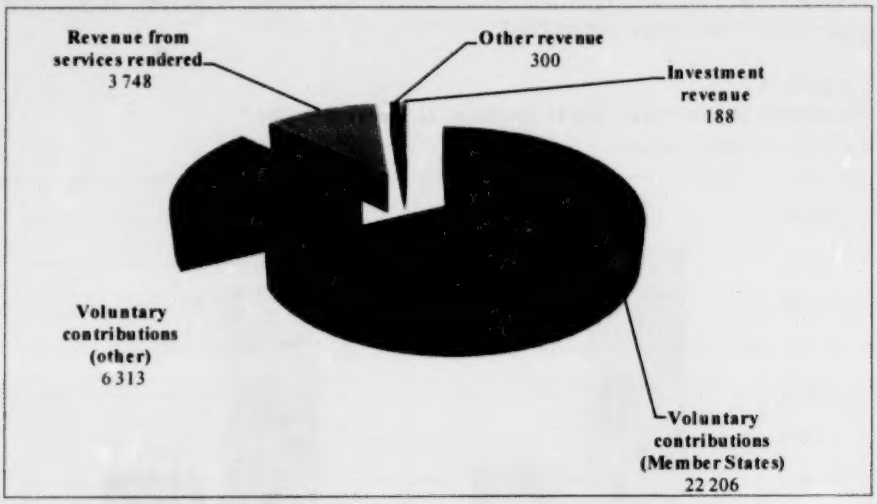
Financial performance

Revenue

19. In 2017, total revenue amounted to $32.755 million and was structured as shown in figure IV.VI below.

Figure IV.VI
Total revenue as at 31 December 2017

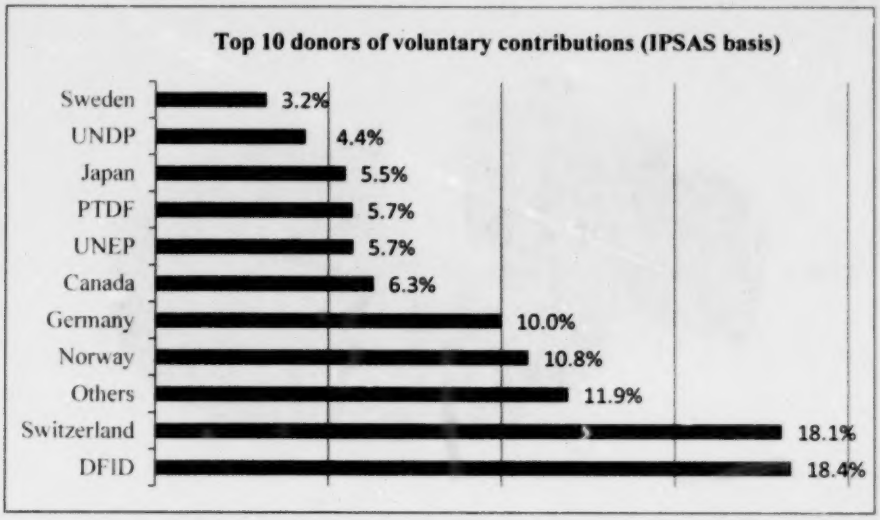
(Thousands of United States dollars)



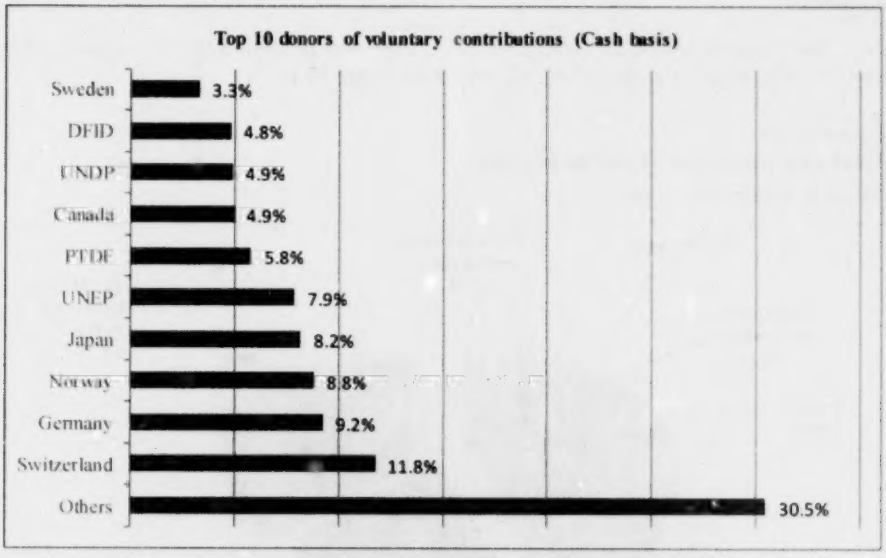
20. As shown in figure IV.VI, the main sources of revenue were: (a) voluntary contributions of $22.206 million received from Member States, or 67.8 per cent of total revenue (2016: $11.757 million or 49.7 per cent); (b) other voluntary contributions of $6.313 million or 19.3 per cent (2016: $8.394 million or 35.4 per cent), comprising (i) contributions of $5.126 million received from other donors and (ii) contributions in kind of $1.187 million, consisting of a rental subsidy of $0.492 million (2016: $0.411 million) for the year (representing the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR) and the satellite images received from the United States Government valued at $0.575 million; and (c) revenue from services rendered of $3.748 million or 11.4 per cent (2016: $3.417 million or 14.4 per cent). The revenue for rendering services includes fees collected for a range of face-to-face and e learning training courses, sales of satellite imagery and affiliations fees. Investment revenue, which represented 0.57 per cent of total revenue, increased significantly to $0.188 million from the $0.114 million reported in 2016.

21. UNITAR is heavily reliant on a small number of donors; it was noted that the top 10 donors contributed some 96 per cent of the total donor contributions for the year. Figure IV.VII shows the top 10 donors of voluntary contributions on an IPSAS basis and cash basis.

Figure IV.VII
Top 10 donors of voluntary contributions



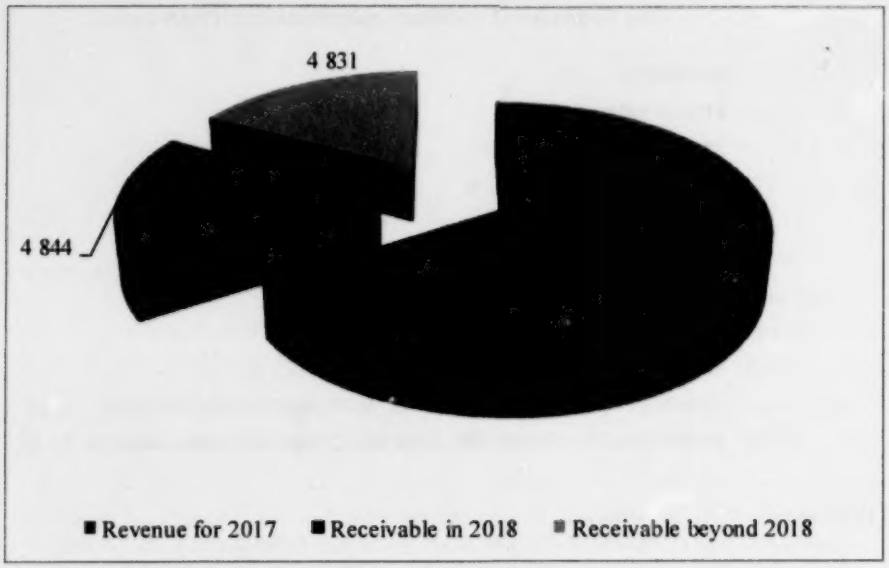
Abbreviations: DFID, Department of International Development, United Kingdom of Great Britain and Northern Ireland; PTDF, Petroleum Technology Development Fund; UNDP, United Nations Development Programme; UNEP, United Nations Environment Programme.



Abbreviations: DFID, Department of International Development, United Kingdom of Great Britain and Northern Ireland; PTDF, Petroleum Technology Development Fund; UNDP, United Nations Development Programme; UNEP, United Nations Environment Programme.

22. Voluntary contributions recognized in 2017 on an IPSAS basis include a few high-value multi-year donor agreements with contributions balances receivable during the period 2018–2020. The revenues from such multi-year agreements that are recognized in 2017 with receivables in future years are shown in figure IV.VIII.

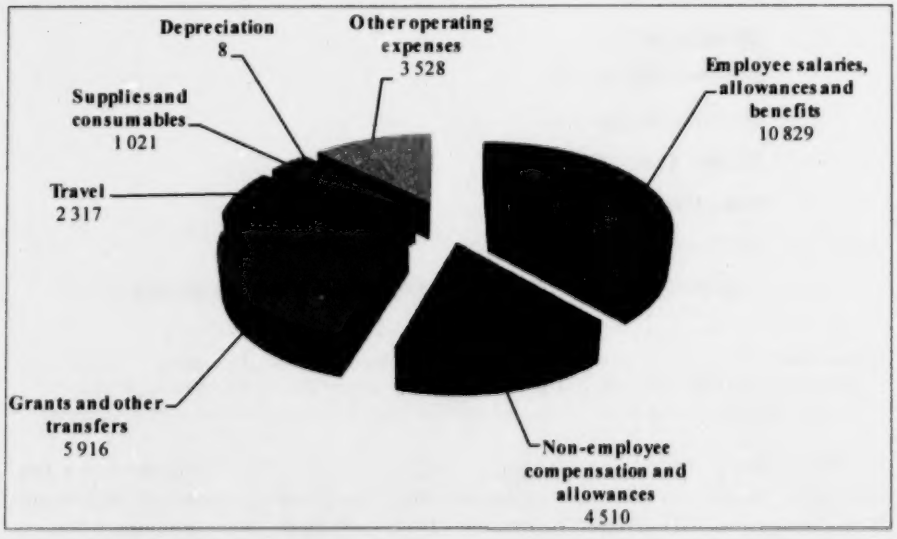
Figure IV.VIII
Voluntary contributions for 2017 showing current-year and future-year portions
(Thousands of United States dollars)



Expenses

23. For the year ended 31 December 2017, expenses totalled $28.129 million. The various categories of expenditure are shown in figure IV.IX.

Figure IV.IX
Total expenses as at 31 December 2017
(Thousands of United States dollars)

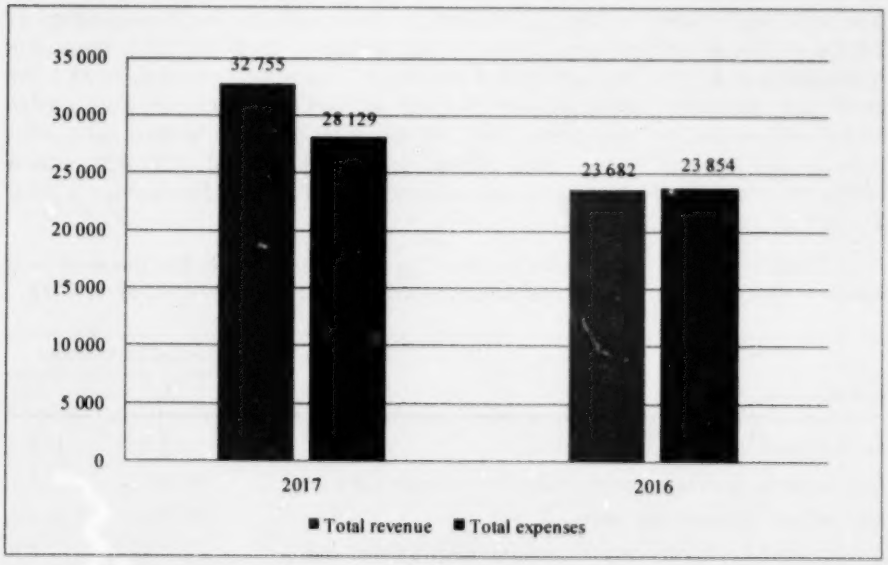


24. An increase of 17.9 per cent in total expenses was reported from the total expense amount of $23.854 million reported in 2016. The main expense categories were staff costs of $10.829 million or 38.5 per cent (2016: $10.074 million or 42.2

per cent), non-employee compensation and allowances of $4.510 million or 16.0 per cent (2016: $3.836 million or 16.1 per cent), grants and other transfers of $5.916 million or 21.0 per cent (2016: $3.688 million or 15.5 per cent) and travel of $2.317 million or 8.2 per cent (2016: $2.275 million or 9.5 per cent). Other operating expenses of $3.528 million (2016: $3.297 million), supplies and consumables of $1.021 million (2016: $0.676 million) and depreciation of $0.008 million (2016: $0.008 million) make up the remaining 16.2 per cent of total expenses (2016: 16.7 per cent of total expenses for 2016). Other operating costs exclude $1.782 million in programme support costs as well as $2.157 million in direct service costs generated by the implementation of project activities. As set by the UNITAR Board of Trustees, all special purpose grants income is assessed at an aggregate rate of 18 or 13 per cent, depending on expected expenditure structure, to provide for programme support costs and direct service costs generated by the implementation of project activities. Programme support costs and direct service costs are included in the project expenses and constitute revenue for the operations/support services segment, but are eliminated for financial statement reporting purposes. Details of the elimination are included in paragraph 70 (note 3) and paragraphs 81 and 82 (note 4) of the notes to the financial statements.

25. Total personnel costs, which include employee and non-employee compensation and allowances, amounted to $15.339 million (2016: $13.910 million). Total personnel costs represent 50.7 per cent of the total revenue, which was reported at $30.243 million for the year.

Figure IV.X
Movement in revenue and expenses
(Thousands of United States dollars)



26. There was an overall increase of $9.073 million (38.3 per cent) in total revenue when compared with the revenue reported in 2016. The net increase in voluntary contributions includes $0.076 million in write-offs and $0.599 million in accounting adjustments to revenues, which were impaired arising out of a case-by-case assessment of the contributions receivable. The main reasons for these accounting adjustments were: (a) completion of project at lower-than-agreed contribution amounts; and (b) amendments made by the donors to the original agreement in

subsequent years after the contributions had been recorded. On the other hand, overall expenditure showed an increase of $4.275 million (17.9 per cent). The sources of significant increases were $0.755 million in expenses for employee salaries, allowances and benefits (7.5 per cent); $2.228 million (60.4 per cent) in grants and other transfers, owing to increased settlement of advances to implementing partners; $0.674 million (17.6 per cent) in spending for non-employee compensation and allowances; and $0.345 million (51.1 per cent) in supplies and consumables as a result of in-kind expenses as well as additional purchases of satellite imagery and operational maps in 2017. There was also an increase of $0.231 million in other operating costs (7 per cent), mainly due to an increase in beneficiaries' training activities of $0.189 million (19 per cent) over the previous year.

Operating results

27. The net surplus in revenue over expense in 2017 is reported at $4.626 million, compared with the deficit of $0.172 million in 2016. The surplus for the current year is attributed to the increase in voluntary contributions. Fluctuations in operating results are attributed to the timing difference in respect of recognizing revenue and related expenditure in line with provisions of IPSAS, whereby revenue from non-exchange transactions can be recognized in one financial year and the related expenses recorded in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Liquidity position

28. As at 31 December 2017, the liquidity position of UNITAR was stable; the entity had sufficient liquid assets to settle its obligations. Liquid funds showed an increase of $4.352 million from the level of $24.169 million reported at 31 December 2016. The total liquid funds of $28.521 million comprise cash and cash equivalents of $4.324 million or 15.1 per cent (2016: $5.121 million or 21.2 per cent), short-term investments of $13.062 million or 45.8 per cent (2016: $10.651 million or 44.1 per cent) and accounts receivables of $11.135 million or 39.0 per cent (2016: $8.397 million or 34.7 per cent). UNITAR invested its funds in short-term time deposits and non-call bonds. Total current liabilities amounted to $1.423 million (2016: $1.948 million) and total liabilities amounted to $11.501 million (2016: $10.931 million).

29. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2017 with comparatives for the year ended 31 December 2016.

	Year ended 31 December	
Liquidity indicator	*2017*	*2016*
Ratio of liquid assets to current liabilities	20.0:1	12.4:1
Ratio of liquid assets less accounts receivable to current liabilities	12.2:1	8.1:1
Ratio of liquid assets to total assets	0.77:1	0.75:1
Average months of liquid assets less accounts receivable on hand	7.4	7.9

30. The ratio of liquid assets to current liabilities indicates the ability of UNITAR to pay its short-term obligations from its liquid resources. The ratio of 20.0:1 indicates that current liabilities are covered 20 times by liquid assets and, therefore, there are sufficient liquid assets available to fully pay current liabilities should the need arise. When accounts receivables are excluded from the analysis, the coverage of current obligations is at 12.2 for the current year, compared with 8.1 for the previous year.

31. As at 31 December 2017, the Institute's liquid assets were about 77 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $2.343 million for 7.4 months, as compared with 7.9 months at the end of 2016.

32. As at the reporting date, UNITAR had employee benefits liabilities of $10.260 million, of which $10.115 million relates to defined-benefit liabilities. With total cash and cash equivalents and investments of $17.386 million, the employee benefits liability is covered by 169 per cent. Furthermore, 21.6 per cent of the defined-benefit liability is funded up to $2.185 million included in cash and cash equivalents.

C. Future outlook

33. In November 2017, at its fifty-eighth session, the UNITAR Board of Trustees welcomed a new, four-year strategic framework covering the period from 2018 to 2021. The framework was the result of a widespread inclusive and transparent process that lasted 18 months and involved consultations with the Board of Trustees, UNITAR staff and donors and partners. The framework builds on the Institute's six-point vision statement and the concept paper entitled "The UNITAR we want", which outlines how the Institute intends to reorganize itself to best respond to the new framework for international cooperation and the reforms of the Secretary-General, particularly as they relate to the United Nations development system. A central feature of the framework is the strategic alignment with the peace, people, planet and prosperity dimensions of the 2030 Agenda for Sustainable Development.

34. In addition to welcoming the strategic framework, the Board of Trustees adopted the programme budget for 2018–2019 of $57.338 million, representing a 11.65 per cent increase over the programme budget for 2016–2017. The results components of the programme budget reflect the Institute's efforts to ensure close alignment with the 2030 Agenda for Sustainable Development and its Sustainable Development Goals.

Annex

Supplementary information

1. The present annex includes the information that the Executive Director is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were write-offs on voluntary contributions receivables amounting to $0.076 million in 2017 with respect to the United Nations Institute for Training and Research.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), there were write-offs/disposal of dysfunctional, non-expendable property for the United Nations Institute for Training and Research with respect to the financial statements for 2017. The cost of the disposed property was $0.012 million, with accumulated depreciation of $0.011 million. A net loss on disposal for $0.001 million is charged to the statement of financial performance.

Fraud or presumptive fraud

4. Pursuant to the additional terms of reference governing the audit of the United Nations contained in the United Nations Financial Regulations and Rules, there were no cases of fraud or presumptive fraud in 2017 with respect to the United Nations Institute for Training and Research.

Ex gratia payments

5. There were no ex gratia payments in 2017.

Chapter V

Financial statements for the year ended 31 December 2017

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Note	*31 December 2017*	*31 December 2016*
Assets			
Current assets			
Cash and cash equivalents	6	4 324	5 121
Investments	19	13 062	10 651
Voluntary contributions receivable	7	10 820	7 674
Other accounts receivable	8	315	723
Advance transfers	9	1 124	2 792
Other assets	10	2 633	2 299
Total current assets		32 278	29 260
Non-current assets			
Voluntary contributions receivable	7	4 831	2 963
Property, plant and equipment	11	15	24
Total non-current assets		4 846	2 987
Total assets		37 124	32 247
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	995	1 618
Advance receipts	13	120	33
Employee benefits liabilities	14	308	297
Total current liabilities		1 423	1 948
Non-current liabilities			
Accounts payable and accrued liabilities	12	126	276
Employee benefits liabilities	14	9 952	8 707
Total non-current liabilities		10 078	8 983
Total liabilities		11 501	10 931
Net total assets and total liabilities		25 623	21 316
Net assets			
Accumulated surpluses	15	25 623	21 316
Total net assets		25 623	21 316

Note: The accompanying notes are an integral part of these financial statements.

United Nations Institute for Training and Research

II. Statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Note	*2017*	*2016*
Revenue			
Voluntary contributions — Member States	16	22 206	11 757
Voluntary contributions — other	16	6 313	8 394
Revenue from services rendered	17	3 748	3 417
Investment revenue	19	188	114
Other revenue	20	300	–
Total revenue		32 755	23 682
Expenses			
Employee salaries, allowances and benefits	18	10 829	10 074
Non-employee compensation and allowances	18	4 510	3 836
Grants and other transfers	18	5 916	3 688
Travel	18	2 317	2 275
Supplies and consumables	18	1 021	676
Depreciation	11	8	8
Other operating expenses	18	3 528	3 297
Total expenses		28 129	23 854
Surplus/(deficit) for the year		4 626	(172)

Note: The accompanying notes are an integral part of these financial statements.

United Nations Institute for Training and Research

III. Statement of changes in net assets for the year ended 31 December 2017

(Thousands of United States dollars)

Net assets as at 1 January 2016	21 097
Change in net assets	
Actuarial gains on employee benefits liabilities (note 14)	391
Deficit for the year	(172)
Total changes in net assets	219
Net assets as at 31 December 2016	21 316
Change in net assets	
Actuarial losses on employee benefits liabilities (note 14)	(319)
Surplus for the year	4 626
Total changes in net assets	4 307
Net assets as at 31 December 2017	25 623

Note: The accompanying notes are an integral part of these financial statements.

United Nations Institute for Training and Research

IV. Statement of cash flows for the year ended 31 December 2017

(Thousands of United States dollars)

	Note	*2017*	*2016*
Cash flows from operating activities			
Surplus/(deficit) for the year		4 626	(172)
Non-cash movements			
Depreciation	11	8	8
Amortization of premiums/discount on investments	19	27	14
Actuarial gains and losses	15	(319)	391
Loss on disposal of property, plant and equipment	11	1	1
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	7	(5 014)	1 876
Decrease/(increase) in other receivables	8	408	(286)
Decrease/(increase) in advance transfers	9	1 668	(1 371)
Increase in other assets	10	(334)	(1 274)
Changes in liabilities			
(Decrease)/increase in other accounts payable and accrued	12	(773)	182
Liabilities			
Increase/(decrease) in advance receipts	13	87	(128)
Increase in employee benefits liabilities	14	1 256	430
Investment revenue presented as investing activities	19	(188)	(114)
Net cash flows used in operating activities		1 453	(443)
Cash flows from investing activities			
Purchases of investments	19	(19 571)	(20 115)
Proceeds from investments	19	17 133	19 450
Investment revenue presented as investing activities	19	188	114
Net cash flows (used in)/from investing activities		(2 250)	(551)
Net (decrease)/increase in cash and cash equivalents		(797)	(994)
Cash and cash equivalents — beginning of year	6	5 121	6 115
Cash and cash equivalents — end of year	6	4 324	5 121

Note: The accompanying notes are an integral part of these financial statements.

United Nations Institute for Training and Research

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017

(Thousands of United States dollars)

	Publicly available budget[a]				*Actual annual revenue and expenditure (budget basis)*	*Difference (percentage)*[b]
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*		
Income						
Programme contributions	45 890	49 803	22 945	24 901	26 495	6.4
Non-earmarked						
Voluntary contributions	1 675	2 000	837	1 000	265	(73.5)
Other/miscellaneous income	300	300	150	150	183	22.0
Total income	47 865	52 103	23 932	26 051	26 943	3.4
Expenditure						
Office of Executive Director	2 540	2 983	1 270	1 492	1 277	(14.4)
Operations/support services	6 070	6 425	3 035	3 213	3 161	(1.6)
Programmes	38 519	41 944	19 260	20 972	23 706	13.0
Total expenditure	47 129	51 352	23 565	25 677	28 144	9.6
Net total	736	751	367	374	(1 201)	–

Note: The accompanying notes are an integral part of these financial statements.

[a] The annual budget amounts relate to the current-year proportion of publicly available budgets which are approved for a two-year budget period (2016–2017) pursuant to document UNITAR/BT/57/2. Material differences between the original and final budgets are explained in note 5.

[b] Represents actual expenditure and income (budget basis) less final annual budget. Differences greater than 10 per cent are considered in note 5.

United Nations Institute for Training and Research
Notes to the 2017 financial statements

Note 1
Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations was signed on 26 June 1945 and became effective on 24 October 1945. The Organization's primary objectives are as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the four major organs of the United Nations, as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations;

(b) The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations is headquartered in New York, United States of America, and has major offices in Geneva, Vienna and Nairobi and peacekeeping and political missions, economic commissions, tribunals, training institutes and information and other centres around the world.

The reporting entity

4. The present financial statements relate to the operations of the United Nations Institute for Training and Research (UNITAR). The Institute was established by the General Assembly in 1963 with the purpose of enhancing the effectiveness of the United Nations in achieving the major objectives of the United Nations. Since its establishment, UNITAR has grown to become not only a recognized and respected service provider in professional, executive-type training, but also in the broader realm of capacity development, with priority placed on developing countries. UNITAR is governed by a Board of Trustees and is headed by an Executive Director. The Executive Director and the members of the Board of Trustees are appointed by the United Nations Secretary-General. The Executive Director reports directly to the Economic and Social Council, one of the organs of the United Nations. UNITAR is funded by voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources as well as by individuals paying for their training participation.

5. The mission of UNITAR is to develop the capacities of its beneficiaries to enhance global decision-making and to support country-level action for shaping a better future. The Institute's core functions are to design and deliver innovative training to address the needs of individuals, organizations and institutions; facilitate knowledge and experience-sharing through networked and innovative processes; conduct research on and pilot innovative learning strategies, approaches and methodologies; and advise and support Governments, the United Nations and other partners with technology-based knowledge-related services. The UNITAR training programmes and research activities are presented under six thematic areas:

(a) Strengthening multilateralism;

(b) Promoting economic development and social inclusion;

(c) Advancing environmental sustainability and green development;

(d) Promoting sustainable peace;

(e) Improving resilience and humanitarian assistance;

(f) Building capacity for the 2030 Agenda for Sustainable Development.

6. UNITAR is regarded as an autonomous financial reporting entity, which neither controls nor are controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the entities are not deemed to be subject to common control. UNITAR has no interests in associates or joint ventures. Therefore, these statements relate only to the operations of UNITAR.

7. UNITAR is headquartered in Geneva and its activities are supported by outposted offices in New York and Hiroshima, Japan, and a project office in Port Harcourt, Nigeria.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

8. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of UNITAR, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows using the indirect method;

(e) Statement V: statement of comparison of budget and actual amounts;

(f) A summary of significant accounting policies and other explanatory notes.

Going-concern

9. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the financial statements. The going-concern assertion is based on the approval by the Board of Trustees of the regular budget appropriations

for the biennium 2016–2017, the positive historical trend of collection of voluntary contributions over the past years and the Institute's positive net assets position.

Authorization for issue

10. The financial statements are certified by the Controller of the United Nations and approved by the Executive Director of UNITAR. In accordance with financial regulation 6.2, the Executive Director transmitted the financial statements as at 31 December 2017 to the Board of Auditors by 31 March 2018. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2018.

Measurement basis

11. The financial statements are prepared using the historic cost convention except for investments that are recorded at fair value. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Functional and presentation currency

12. The functional and presentation currency of UNITAR is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

13. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange (UNORE) at the date of the transaction. The UNORE approximate the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those other than the functional currency, are translated at the UNORE year-end rate. Non-monetary foreign currency items measured at historical cost or fair value are translated at the relevant UNORE exchange rate prevailing at the date of the transaction or when the fair value was determined.

14. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

15. Materiality is central to the preparation and presentation of the Institute's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

16. The preparation of financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

17. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include actuarial measurement of

employee benefits; selection of useful lives and the depreciation method for property, plant and equipment; impairment of assets; classification of financial instruments; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/liabilities.

Future accounting pronouncements

18. The progress of the following future accounting pronouncements of the IPSAS Board and their potential impact on the Institute's financial statements continue to be monitored:

(a) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new standard that will replace IPSAS 13. Approval of a new standard on leases is projected for June 2019;

(e) Public sector measurement: the objectives of the project are to: (i) issue amended IPSAS standards that include revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues preparers encounter when applying IPSAS 17 to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Note 3
Significant accounting policies

Financial assets: classification

19. UNITAR classifies financial assets into the following categories: held-to-maturity, available-for-sale, loans and receivables, and fair value through surplus or deficit in the statement of financial performance. The classification depends primarily on the purpose for which the financial assets are acquired and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNITAR initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNITAR becomes party to the contractual provisions of the instrument.

20. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements and assets denominated in foreign currency are translated into United States dollars at the UNORE prevailing

at the reporting date with net gains or losses recognized in surplus or deficit in the statement of financial performance.

Classification	*Financial assets*
Held-to-maturity	Investments: time deposit, non-callable bonds
Loans and receivables	Cash and cash equivalents and receivables (non-exchange and exchange)

Held-to-maturity investments

21. These are non-derivative financial assets that have fixed or determinable payments and that UNITAR has a positive intention and ability to hold to maturity. Held-to-maturity investments are investments other than:

(a) Instruments initially designated as fair value through surplus or deficit;

(b) Instruments that meet the definition of loans and receivables;

(c) Instruments classified as available-for-sale.

22. Held-to-maturity investments are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method.

23. UNITAR classified its investment portfolio as held-to-maturity assets.

Cash and cash equivalents

24. Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables from non-exchange transactions — contributions receivable

25. "Contributions receivable" represents uncollected revenue from voluntary contributions committed to UNITAR by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts (i.e., the allowance for doubtful receivables). If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method.

Financial assets: receivables from exchange transactions — other receivables

26. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements, interest receivable and receivables from staff. Receivables from other United Nations reporting entities are also included in this category.

27. Material balances of other receivables and voluntary contributions receivable are subject to specific review and an allowance for doubtful receivables assessed on the basis of recoverability and ageing accordingly.

Advance transfers

28. Advance transfers relate to cash transferred to the United Nations Development Programme (UNDP) for service to be rendered on behalf of UNITAR and to executing

agencies/implementing partners. Advances issued to executing agencies/implementing partners are initially recognized as assets; expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables and, where necessary, are subject to an allowance for doubtful receivables. Transfers up to $30,000 qualify to be considered as transfers to end beneficiaries and are expensed at the time of issue.

Other assets

29. Other assets include inter-fund balance receivables, advances to staff members and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized. Inter-fund balance receivables from UNDP result from treasury, investment and payroll transactions entered into by UNDP on behalf of UNITAR under contractual arrangement for the provision of support services.

Property, plant and equipment

30. Property, plant and equipment are classified into different groupings on the basis of their nature, functions, useful lives and valuation methodologies. The groupings include vehicles, communications and information technology equipment, machinery and equipment, furniture and fixtures, and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Currently, the Institute's property, plant and equipment comprise vehicles and communications and information technology equipment.

Recognition of property, plant and equipment

31. All property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition, and the initial estimate of dismantling and site restoration costs.

32. Property, plant and equipment are capitalized when their cost is greater than or equal to the threshold of $5,000.

33. With respect to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost of acquiring equivalent assets.

34. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value. Depreciation commences in the month in which UNITAR gains control over an asset in accordance with international commercial terms, and no depreciation is charged in the month of the retirement or disposal of the property, plant and equipment. Given the expected pattern of usage of property, plant and equipment, the residual value is deemed to be nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are:

Class of property, plant and equipment	*Range of estimated useful life*
Communications and information technology equipment	4–7 years
Vehicles	6–12 years

35. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of fully depreciated assets.

36. The organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred after initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to UNITAR and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

37. A gain or loss resulting from the disposal or transfer of an item of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

38. Impairment assessments are conducted during the annual physical verification process and when events or changes in circumstance indicate that carrying amounts may not be recoverable. The impairment review threshold for vehicles and communications and information technology equipment is a period-end net-book-value greater than $25,000.

Financial liabilities: classification

39. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, employee benefits payable, unspent funds held for future refunds, provisions and other liabilities such as inter-fund balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. UNITAR re-evaluates the classification of financial liabilities at each reporting date and de-recognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Accounts payable and accrued liabilities

40. Accounts payable and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoice amounts, less discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months.

Transfers payable

41. Transfers payable relates to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Advance receipts

42. Advance receipts consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

Leases: UNITAR as a lessee

43. Leases of property, plant and equipment where UNITAR has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

44. Leases where all of the risks and rewards of ownership are not substantially transferred to UNITAR are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Donated right-to-use arrangements

45. UNITAR occupies land and buildings and uses infrastructure assets, machinery and equipment through donated right-to-use agreements granted primarily by host Governments at nil or nominal cost. On the basis of the terms of the agreement and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

46. In the case of operating leases, an expense and a corresponding revenue equal to the annual market rent of similar property are recognized in the financial statements.

47. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $5,000 for each item of donated right-to-use premises, land, infrastructure, machinery and equipment.

Employee benefits

48. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

49. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances) and other short-term benefits (education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

50. Home leave travel is available to eligible staff and dependants serving in qualifying countries. The liability represents the expected travel cost of the next home leave entitlement for qualifying staff, adjusted for the proportion of service yet to be performed until the benefit is vested. As home leave travel entitlements are claimed

within relatively short periods of time, the effect of discounting for the time value of money is not material.

Post-employment benefits

51. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension provided through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

52. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the obligation of UNITAR is to provide agreed benefits and UNITAR therefore bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at 31 December 2017, UNITAR did not hold any plan assets as defined by IPSAS 25: Employee benefits.

53. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

54. **After-service health insurance**. After-service health insurance provides worldwide coverage for medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Institute's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Institute's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Institute's residual liability in accordance with the cost-sharing ratios authorized by the General Assembly in its resolutions 38/235, 1095 A (XI) and 41/209.

55. **Repatriation benefits**. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins UNITAR and is measured as the present value of the estimated liability for settling these entitlements.

56. **Accumulated annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled by means of a monetary payment to employees upon their separation from the organization. UNITAR recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at

the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose, and overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified as "other long-term benefit". It should be noted that the portion of the accumulated annual leave benefit that is expected to be settled by means of monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25: Employee benefits, other long-term benefits must be valued similarly as post-employment benefits; UNITAR therefore values its accumulated annual leave benefit liability as a defined-benefit plan that is actuarially valued.

United Nations Joint Staff Pension Fund

57. UNITAR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership of the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

58. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual organizations participating in the plan. The Pension Fund and UNITAR, in line with other participating organizations, are not in a position to identify the Institute's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNITAR has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The Institute's contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

59. Termination benefits are recognized as an expense only when UNITAR is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term benefits

60. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Accumulated annual leave is an example of "other long-term benefit".

61. Appendix D to the Staff Rules governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations.

Provisions

62. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, UNITAR has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Contingent liabilities

63. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNITAR. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

Contingent assets

64. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNITAR. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the organization.

Commitments

65. Commitments are future expenses that are to be incurred by UNITAR on contracts entered into by the reporting date and that UNITAR has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (number of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UNITAR in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: voluntary contributions

66. Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time the agreement becomes binding, which is the point when UNITAR is deemed to acquire control of the asset. Where cash is received subject to specific conditions, however, recognition of revenue is deferred until those conditions have been satisfied.

67. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. Unused funds returned to the donors are netted against revenue.

68. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf.

69. In-kind contributions of goods above the recognition threshold of $5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNITAR and the fair value of those assets can be measured reliably. UNITAR has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of services above the threshold of $5,000 per discrete contribution in the notes to the financial statements. Contributions in kind are initially measured at their fair value at the date of receipt, determined by reference to observable market values or by independent appraisals.

70. An indirect cost recovery of 7 per cent, designated as "programme support cost", is charged to trust funds and other activities that are funded from voluntary contributions to ensure that the additional costs of supporting activities from voluntary contributions are not borne by unearmarked funds and/or other core resources of UNITAR. In addition, a direct cost recovery of 6 to 11 per cent, designated as "direct support cost", is charged to ensure that the implementation support costs incurred are not borne by the unearmarked funds and other core resources. In line with the full cost recovery policy approved by the Board of Trustees, the programme support cost charges and direct support costs are included as part of voluntary contributions. Programme support costs are expressed as a percentage of direct costs (actual expenditure and unliquidated obligations) and direct support costs are expressed as a percentage of contribution. The programme support costs and the direct support costs are eliminated for the purposes of financial statement preparation, as disclosed in note 4: Segment reporting.

Exchange revenue

71. Exchange transactions are those in which UNITAR sells services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met. Revenue from commissions and fees for technical, training, administrative and other services rendered to Governments, United Nations entities, individuals and other partners is recognized when the service is performed.

Investment revenue

72. Investment revenue (interest revenue) is earned on individual financial instruments and is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Expenses

73. Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

74. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of consultant and contractor fees.

75. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. For outright grants, an expense is recognized at the point at which the organization has a binding obligation to pay.

76. Supplies and consumables relates to expenditure incurred for office supplies and consumables.

77. Other operating expenses include acquisition of goods and intangible assets below capitalization thresholds (capitalization thresholds for intangible assets are $5,000 per unit for externally acquired assets and $100,000 per unit for internally developed assets), maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for bad debts. Other expenses relate to hospitality and official functions, foreign exchange losses, donation/transfer of assets and losses on disposal of property, plant and equipment.

78. Certain programme activities, distinct from commercial or other arrangements where UNITAR expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners. Executing entities/implementing partners typically include Governments, non-governmental organizations and United Nations agencies. UNITAR advances funds to these implementing partners on the basis of cash projections. Advances to implementing partners that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide UNITAR with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. The support costs incurred by and paid to implementing partners are reported as expenses in the statement of financial performance. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Note 4
Segment reporting

79. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and make decisions about the future allocation of resources.

80. As established in the UNITAR programme budget for the biennium 2016–2017 by its Board of Trustees, the activities of UNITAR are segregated into three segments:

(a) The Office of Executive Director includes the Institute's functions of leadership; resource mobilization; planning, monitoring and evaluation, and performance reporting; and quality assurance;

(b) Programmes include training and research activities presented under six thematic areas: (i) strengthening multilateralism; (ii) promoting economic development and social inclusion; (iii) advancing environmental sustainability and green development; (iv) promoting sustainable peace; (v) improving resilience and humanitarian assistance; and (vi) building capacity for the Agenda 2030 for Sustainable Development. These programme activities are implemented by the following: Green Development and Climate Change Programme; Chemicals and Waste Management Programme; Multilateral Diplomacy Programme; Peacemaking and Conflict Prevention Programme; Peacekeeping Training Programme; Public Finance and Trade Programme; Decentralized Cooperation Programme; Knowledge Systems Innovation Section; UNITAR Operational Satellite Applications Programme; Strengthening the Implementation of the 2030 Agenda and Research Department; two outposted offices, in New York and Hiroshima, Japan; and a project office in Port Harcourt, Nigeria;

(c) Operations/support services include essential support functions such as information and communications technology, human resources, administration and procurement and budget and finance.

81. Inter-segment transactions include internal programme support cost charges and direct implementation support fees between programmes and operations/support costs in line with paragraph 70 in note 3: Significant accounting policies. Inter-segment transactions are priced at cost recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

82. Eliminations comprise inter-fund allocations between various segments that are eliminated upon consolidation of funds of UNITAR, that is, the financial reporting entity. Among eliminated values are programme support cost charges and direct support costs between programmes and operations support. Current-year eliminations comprise programme support costs of $1.782 million and direct service costs of $2.157 million.

Statement of financial performance by segment as at 31 December 2017

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	339	27 994	186	–	28 519
Exchange revenue	40	3 700	3 947	(3 939)	3 748
Other operating revenue		307	(7)	–	300
Investment revenue	9	168	11	–	188
Total revenue	**388**	**32 169**	**4 137**	**(3 939)**	**32 755**
Segment expenses					
Employee salaries, allowances and benefits	1 013	7 621	2 195	–	10 829
Non-employee compensation and allowances	42	4 350	118	–	4 510
Grants and other transfers	–	5 915	–	–	5 915
Travel	132	2 185	–	–	2 317
Supplies and consumables	4	955	62	–	1 021
Depreciation	1	7	–	–	8
Other operating expenses	86	6 384	998	(3 939)	3 529
Total segment expense	**1 278**	**27 417**	**3 373**	**(3 939)**	**28 129**
Surplus/(deficit) for the year	**(890)**	**4 752**	**764**	**–**	**4 626**

Statement of financial performance by segment as at 31 December 2016

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	709	19 192	250	–	20 151
Exchange revenue	58	3 361	3 421	(3 423)	3 417
Investment revenue	16	96	2	–	114
Total revenue	**783**	**22 649**	**3 673**	**(3 423)**	**23 682**

	Office of Executive Director	*Programmes*	*Operations support services*	*Eliminations*	*Total*
Segment expenses					
Employee salaries, allowances and benefits	1 063	7 416	1 595	–	10 074
Non-employee compensation and allowances	49	3 571	216	–	3 836
Grants and other transfers	–	3 688	–	–	3 688
Travel	79	2 193	3	–	2 275
Supplies and consumables	2	627	47	–	676
Depreciation	1	7	–	–	8
Other operating expenses	66	5 561	1 093	(3 423)	3 297
Total segment expense	**1 260**	**23 063**	**2 954**	**(3 423)**	**23 854**
Surplus/(deficit) for the year	**(477)**	**(414)**	**719**	**–**	**(172)**

Statement of financial position by segment as at 31 December 2017

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	331	3 893	100	4 324
Investments	1 000	11 761	301	13 062
Voluntary contributions receivable	147	10 673	–	10 820
Other accounts receivable	–	315	–	315
Advance transfers	–	1 124	–	1 124
Other assets	2 581	49	3	2 633
Total current assets	**4 059**	**27 815**	**404**	**32 278**
Non-current assets				
Voluntary contributions receivable	–	4 831	–	4 831
Property, plant and equipment	2	13	–	15
Total non-current assets	**2**	**4 844**	**–**	**4 846**
Total assets	**4 061**	**32 659**	**404**	**37 124**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	16	731	248	995
Advance receipts	–	120	–	120
Employee benefits liabilities	29	216	63	308
Total current liabilities	**45**	**1 067**	**311**	**1 423**

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	126	126
Employee benefits liabilities	931	7 004	2 017	9 952
Total non-current liabilities	**931**	**7 004**	**2 143**	**10 078**
Total liabilities	**976**	**8 071**	**2 454**	**11 501**
Net total assets and total liabilities	**3 085**	**24 588**	**(2 050)**	**25 623**
Net assets				
Accumulated surplus	3 085	24 588	(2 050)	25 623
Total net assets	**3 085**	**24 588**	**(2 050)**	**25 623**

Statement of financial position by segment as at 31 December 2016

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	741	4 283	97	5 121
Investments	1 542	8 908	201	10 651
Voluntary contributions receivable	300	7 313	61	7 674
Other accounts receivable	–	723	–	723
Advance transfers	–	2 792	–	2 792
Other assets	2 662	27	(390)	2 299
Total current assets	**5 245**	**24 046**	**(31)**	**29 260**
Non-current assets				
Voluntary contributions receivable	–	2 963	–	2 963
Property, plant and equipment	4	20	–	24
Total non-current assets	**4**	**2 983**	**–**	**2 987**
Total assets	**5 249**	**27 029**	**(31)**	**32 247**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	33	1 584	1	1 618
Advance receipts	–	33	–	33
Employee benefits liabilities	31	219	47	297
Total current liabilities	**64**	**1 836**	**48**	**1 948**

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	276	276
Employee benefits liabilities	918	6 410	1 379	8 707
Total non-current liabilities	**918**	**6 410**	**1 655**	**8 983**
Total liabilities	**982**	**8 246**	**1 703**	**10 931**
Net total assets and total liabilities	**4 267**	**18 783**	**(1 734)**	**21 316**
Net assets				
Accumulated surplus	4 267	18 783	(1 734)	21 316
Total net assets	**4 267**	**18 783**	**(1 734)**	**21 316**

Note 5
Comparison to budget

83. UNITAR prepares its budgets on the modified cash basis as opposed to the IPSAS full accrual basis as presented in the statement of financial performance. Statement V (statement of comparison of budget and actual amounts) presents the difference between budget amounts and actual income and expense on a comparable basis.

84. The final budget is the revised programme budget for a biennium as approved by the UNITAR Board of Trustees at the end of the first year of the biennium. While the budget is for a two-year period, UNITAR allocates those budgets into two annual amounts to provide the budget to actual comparison for the annual financial statements.

85. Differences between the original and the final budget are attributable to elements that become known during the year, such as final projections of special grant contributions to be received and variances in expense trends.

86. Differences between original and final budget amounts are considered in the table below. Material differences between the final budget appropriation and actual income and expense on a modified cash basis are deemed to be those greater than 10 per cent and are considered below.

Budget area	*Explanation of material differences*
Expenditure	
Office of Executive Director	As part of the budget revision exercise in 2016, the final annual budget for 2017 is revised up by 17.4 per cent to reflect additional anticipated costs for human resources supporting strategic management. Actual expense was lower than the final annual budget by $0.215 million (14.4 per cent), of which $0.118 million was due to less travel undertaken and the rest due to lower personnel-related and other operating costs than budgeted.

Budget area	*Explanation of material differences*
Programmes	A significant portion of the difference (13 per cent increase) was due to increased resource mobilization and the corresponding increased spending in the delivery of the programme activities. This is in line with the programme growth strategy.
Income	
Non-earmarked voluntary contributions	Actual income was 73.5 per cent lower (0.265 million as against the budgeted amount of $1.0 million) due to the non-receipt of a contribution from one large single donor who contributed for the previous three years. This contributed to the overall deficit of $1.201 million for 2017.
Other/miscellaneous income	Actual income was 22.0 per cent higher as a result of e-learning fees exceeding the budget amount by $0.033 million.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

87. The reconciliation between the actual amounts on a comparable basis in the comparison of budget and actual amounts and the actual amounts in the statement of cash flow is set out below.

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2017

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(28 144)**	**–**	**(28 144)**
Basis differences	(2 403)	188	(2 215)
Presentation differences	32 000	(2 438)	29 562
Net cash flows in the statement of cash flows (statement IV)	**1 453**	**(2 250)**	**(797)**

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2016

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(23 755)**	**–**	**(23 755)**
Basis differences	(830)	114	(716)
Presentation differences	24 142	(665)	23 477
Net cash flows in the statement of cash flows (statement IV)	**(443)**	**(551)**	**(994)**

(a) Basis differences arise as the budget is prepared on a modified cash basis as opposed to the IPSAS accounting basis used to prepare the financial statements. Basis differences comprise operating adjustments in relation to accrual accounting, the elimination of obligations and net cash flows from investing activities;

(b) Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts. The former reflects the net impacts of receipts and disbursements and the latter presents actual expenditure authorized through appropriations. Revenue and expenses that do not form part of the statement of comparison of budget and actual amounts are presentation differences;

(c) Timing differences occur when the budget period differs from the financial period reflected in the financial statements. UNITAR has no timing differences;

(d) Entity differences represent cash flows to/from fund groups or agencies which do not relate to UNITAR but are reported in the financial statements or the UNITAR budget. There were no entity differences in 2017.

88. The following table reconciles the actual expenditures on a comparable basis as reported in the statement of comparison of budget and actual amounts to the total expenses reported in the statement of financial performance:

Reconciliation of budget expenditures in statement V to IPSAS expenses in statement II

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Budget expenditure as set out in statement V	28 144	23 755
Adjustments:		
Elimination of unliquidated obligations	(2 259)	(2 063)
Accruals of expenses	316	680
After-service health insurance expenses	733	757
Expenses for contributions in kind	1 187	717
Depreciation of property, plant and equipment	8	8
Provision of allowance on receivables	–	–
Total IPSAS expenses as set out in statement II	**28 129**	**23 854**

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Cash held in UNITAR bank accounts	114	3 114
Investments: time deposits	4 200	1 100
Investments: non-call bonds	–	901
Petty cash and project cash	10	6
Total cash and cash equivalents	**4 324**	**5 121**

89. The Institute's investments are held in short-term time deposits. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23. The above cash and cash equivalents include $2.972 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under IPSAS 23. Historically, UNITAR has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

Note 7
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2017			*31 December 2016*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
Voluntary contributions	10 820	4 831	15 651	7 674	2 963	10 637
Allowance for doubtful voluntary contributions receivable	–	–	–	–	–	–
Total voluntary contributions receivable	**10 820**	**4 831**	**15 651**	**7 674**	**2 963**	**10 637**

90. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period from 2018 to 2020. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23. The above receivables include $7.22 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under IPSAS 23. Historically, UNITAR has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

91. A detailed case-by-case review of the voluntary contributions receivable was undertaken at the end of year 2017 and consequently accounting adjustments to contribution revenues were made in the amount of $0.599 million, with corresponding reduction to voluntary contributions receivable. The main reasons for making these accounting adjustments were: (a) completion of project deliverables with lower contribution amounts than those in the agreements; and (b) amendments made by donors to amounts in agreements in years after the contributions were recorded. Consequent to these accounting adjustments, an amount of $0.0756 million was written off for expenses exceeding cash received in prior years before the Institute's migration, effective 1 July 2015, from the Integrated Management Information System to the Atlas enterprise resource planning system.

92. In accordance with IPSAS 29, the non-current receivables amounting to $4.939 million have been discounted with a net impact of $0.108 million to the revenue recorded. The discounting rates used are the United States Daily Treasury Yield Curve Rates of 1.89 and 1.98 for years 2 and 3, respectively.

Note 8
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Exchange		
Receivables from non-governmental entities	84	263
Receivables from other United Nations Secretariat reporting entities	84	209
Receivables from Government entities	85	186
Subtotal	**253**	**658**
Interest receivable	62	65
Total other accounts receivable	**315**	**723**

Note 9
Advance transfers

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Implementing partners/executing agencies	1 124	2 628
Project clearing account receivables from UNDP	–	132
Service clearing account receivables from UNDP	–	32
Total advance transfers	**1 124**	**2 792**

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Inter-fund receivables from UNDP	2 581	2 220
Staff members	48	74
Prepayments	4	5
Total other assets	**2 633**	**2 299**

93. Inter-fund receivables from UNDP arise as a result of treasury, investment and payroll transactions entered into by UNDP on behalf of UNITAR under contractual arrangement for the provision of support services. Outstanding inter-fund balances between UNITAR and UNDP are settled on a monthly basis.

Note 11
Property, plant and equipment

Property, plant and equipment: 2017

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost at 1 January 2017	23	40	63
Disposals	(12)	–	(12)
Cost at 31 December 2017	**11**	**40**	**51**
Accumulated depreciation at 1 January 2017	16	23	39
Disposals	(11)	–	(11)
Depreciation for the year	2	6	8
Accumulated depreciation at 31 December 2017	**7**	**29**	**36**
Net carrying amount			
1 January 2017	7	17	24
31 December 2017	**4**	**11**	**15**

Property, plant and equipment: 2016

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost at 1 January 2016	29	154	183
Disposals	(6)	(114)	(120)
Cost at 31 December 2016	**23**	**40**	**63**
Accumulated depreciation at 1 January 2016	20	130	150
Disposals	(6)	(113)	(119)
Depreciation for the year	2	6	8
Accumulated depreciation at 31 December 2016	**16**	**23**	**39**
Net carrying amount			
1 January 2016	9	24	33
31 December 2016	**7**	**17**	**24**

94. During the year there were disposals in relation to property, plant and equipment. Dysfunctional information technology equipment with a net book value of $0.001 million was disposed of with no sales proceeds. A loss on disposal of $0.001 million has been charged to the statement of financial performance.

Note 12
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Vendor payables	490	1 214
Payables to other United Nations Secretariat reporting entities	276	426
Accruals for goods and services	316	254
Other	39	–
Total accounts payable and accrued liabilities	**1 121**	**1 894**

95. UNITAR migrated from the Integrated Management Information System to the Atlas enterprise resource planning system effective 1 July 2015. Of the payables to the Secretariat of $0.276 million, $0.150 million is a current liability payable in 2018 and $0.126 million is a non-current liability payable in future years in accordance with the agreed deferred payment plan.

Note 13
Advance receipts

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Payments received in advance	120	33
Total advance receipts	**120**	**33**

Note 14
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2017			31 December 2016		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	41	8 019	8 060	37	6 655	6 692
Repatriation benefits	80	1 237	1 317	60	1 090	1 150
Annual leave	42	696	738	43	962	1 005
Subtotal: defined-benefit liabilities	**163**	**9 952**	**10 115**	**140**	**8 707**	**8 847**
Home leave	104	–	104	133	–	133
Appendix D/workers' compensation	41	–	41	24	–	24
Total employee benefits liabilities	**308**	**9 952**	**10 260**	**297**	**8 707**	**9 004**

Employee benefits accounted for on a defined-benefit basis

96. UNITAR provides its staff and former staff with after-service health insurance and repatriation benefits that are actuarially valued defined-benefit plans. Annual leave benefits are actuarially valued on the same basis. The liabilities are determined on the basis of an independent actuarial valuation, which is usually undertaken every two years. The most recent full after-service health insurance valuation was conducted as at 31 December 2017. The cumulative amount of actuarial gains and losses recognized in net assets is a net loss of $0.319 million (2016: net gain of $0.391 million).

Actuarial valuation: assumptions

97. UNITAR reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2015 and for rolling forward to 31 December 2016 are set out below.

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2017	0.74%	3.48%	3.57%
Discount rates, 31 December 2016	0.82%	3.47%	3.62%
Inflation, 31 December 2017	4.0%	2.20%	–
Inflation, 31 December 2016	4.0–6.0%	2.25%	–

98. Discount rates are based on a weighted blend of three discount rate assumptions: United States dollars (Citigroup pension discount curve), euros (Ernst and Young eurozone corporate yield curve) and Swiss francs (Federation bonds yield curve as published by the Swiss National Bank, plus the spread observed between Government rates and high-grade corporate bonds rates published by the Swiss Chamber of Pension Actuaries).

99. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend

assumptions used for the valuation at 31 December 2017 were updated to include escalation rates for future years. As at 31 December 2017, these escalation rates were a flat health-care yearly escalation rate of 3.05 per cent (2016: 4.0 per cent) for non-United States medical plans and a health-care escalation rate of 3.85 per cent (2016: 4.50 per cent) for all other medical plans, grading down to 4.5 per cent over eight years.

100. With regard to the valuation of repatriation benefits as at 31 December 2017, inflation in travel costs was assumed at 2.22 per cent (2016: 2.25 per cent) on the basis of the projected United States inflation rate over the next 20 years.

101. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: one to three years — 9.1 per cent; four to eight years — 1.0 per cent; nine years and over — 0.1 per cent.

102. Assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2017

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability at 1 January 2017	**6 692**	**1 150**	**1 005**	**8 847**
Current service cost	711	70	96	877
Interest cost	55	39	36	130
Subtotal: costs recognized in the statement of financial performance	**766**	**109**	**132**	**1 007**
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	635	81	(397)	319
Actual benefits paid	(33)	(23)	(2)	(58)
Net recognized liability at 31 December 2017	**8 060**	**1 317**	**738**	**10 115**

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2016

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability at 1 January 2016	**6 450**	**1 100**	**914**	**8 464**
Current service cost	685	67	88	840
Interest cost	39	38	34	111
Subtotal: costs recognized in the statement of financial performance	**724**	**105**	**122**	**951**
Actuarial gains recognized directly in the statement of changes in net assets	(448)	(5)	62	(391)
Actual benefits paid	(34)	(50)	(93)	(177)
Net recognized liability at 31 December 2016	**6 692**	**1 150**	**1 005**	**8 847**

103. For the year 2017, actuarial losses of $0.319 million are debited directly to the net assets and an amount of $1.007 million towards the current-year service and interest costs is charged to the statement of financial performance.

Medical costs sensitivity analysis

104. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other assumptions constant, such as the discount rate. Should the medical cost trend assumption vary by 1 per cent, it would impact the measurement of the defined-benefit obligations, as shown below.

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical costs trend rates

(Thousands of United States dollars)

	31 December 2017		*31 December 2016*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined-benefit obligation	2 693	(1 932)	2 249	(2 257)
Effect on the aggregate of the current service cost and interest cost	237	(162)	273	(236)

Discount rate sensitivity to end-of-year liability

105. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets were volatile over the reporting period, and that volatility impacts the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the liabilities would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2017	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent[a]	(1 046)	(115)	(73)
As a percentage of end-of-year liability	-13%	-9%	-10%
Decrease of discount rate by 1 per cent	1 250	133	85
As a percentage of end-of-year liability	16%	10%	12%

[a] Owing to the low value of the after-service health insurance discount rate, sensitivity is calculated by applying a variation of 0.5 per cent of the actual discount rate for the insurance regime in 2016 and 2017.

31 December 2016	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(919)	(113)	(97)
As a percentage of end-of-year liability	-14%	-10%	-10%
Decrease of discount rate by 1 per cent	1 044	125	113
As a percentage of end-of-year liability	16%	11%	11%

Historical information

Total liability after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

Present value of the defined-benefit obligations valued by actuaries	*2017*	*2016*	*2015*	*2014*	*2013*
After-service health insurance	8 060	6 692	6 450	7 838	4 897
Repatriation benefits	1 317	1 150	1 100	1 319	1 136
Annual leave	738	1 005	914	1 124	371
Total present value of defined-benefit obligation	**10 115**	**8 847**	**8 464**	**10 281**	**6 404**

Funded liabilities

106. UNITAR has commenced funding plans for the defined-benefit liabilities. The balance of liability funded as at 31 December 2017 is shown in the table below:

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2017*	*Percentage funded*
After-service health insurance	130	7 930	8 060	1.6
Repatriation benefits	1 317	–	1 317	100.0
Annual leave	738		738	100.0
Total employee benefits liabilities under defined-benefit plans	**2 185**	**7 930**	**10 115**	**21.6**

107. The funded amount of $2.185 million is included in cash and cash equivalents and investments. This amount does not qualify as a plan asset under IPSAS 25: Employee benefits, because such funds are not held in a trust that is legally separate from UNITAR and that exists solely to pay or fund employee benefits.

United Nations Joint Staff Pension Fund

108. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Pension Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

109. The Institute's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following the determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

110. During 2017, the Pension Fund identified anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As a result, as an exception to the normal biennial cycle, a roll forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Pension Fund for its financial statements for 2016. An actuarial valuation as at 31 December 2017 is currently being performed.

111. The roll forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

112. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2016, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Pension Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2014, 2015 and 2016) amounted to $6,750.98 million, of which 0.063 per cent was contributed by UNITAR.

113. During 2017, the Institute's contributions paid to the Pension Fund amounted to $1.073 million (2016: $0.946 million). Expected contributions due in 2018 are approximately $1.140 million.

114. Membership in the Pension Fund may be terminated by the decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Pension Fund at the date of termination would be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Pension Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed by visiting the Fund's website at www.unjspf.org.

Impact of General Assembly resolutions on staff benefits

115. On 23 December 2015, the General Assembly adopted resolution 70/244, in which it approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes that may affect the calculation of other long-term and end-of-service employee benefits liabilities are as follows:

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65 and for those who joined before 1 January 2014, it is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented on 1 January 2018 for the Secretariat, this change is expected to impact future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professionals and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependent rates as from 1 January 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive repatriation grant upon separation provided they have been in service for at least one year in a duty station outside of their country of nationality. The General Assembly has since revised the eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change is expected to affect future calculations of employee benefits liabilities.

116. The impact of the changes was reflected in the actuarial valuation conducted in 2017.

Note 15
Net assets

(Thousands of United States dollars)

	2017	*2016*
Net assets as at 1 January	21 316	21 097
Actuarial gains/(losses) on employee benefits liabilities	(319)	391
(Deficit)/surplus for the year	4 626	(172)
Net assets as at 31 December	**25 623**	**21 316**

117. Fluctuations in operating results were also attributed to the timing difference in respect of recognizing revenue and related expenditure in line with the provisions of IPSAS, whereby revenue from non-exchange transactions can be recognized in one financial year and the related expenses recorded in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Note 16
Revenue from non-exchange transactions

Voluntary contributions — Member States

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Voluntary contributions — Member States	22 479	11 851
Refunds to Member States	(273)	(94)
Total revenue from voluntary contributions — Member States	**22 206**	**11 757**

118. The significant increase in voluntary contributions from Member States is due to an increase in multi-year agreements.

Voluntary contributions — other

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Voluntary contributions — other	5 126	7 677
Voluntary in-kind contributions	1 187	717
Total revenue from voluntary contributions — other	**6 313**	**8 394**

119. The contributions in kind include a rental subsidy of $0.492 million (2016: $0.411 million) for the year, which represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR, and the satellite images received from the United States Government valued at $0.575 million that were used for the implementation of the UNITAR Operational Satellite Applications Programme.

Note 17
Revenue from services rendered: exchange transactions

120. Exchange revenue from services rendered includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery and affiliations fees. UNITAR designs and delivers capacity development and research activities to address the needs of individuals, organizations and institutions under various thematic areas. Some of the key training courses generating exchange revenue were the youth vocational technical training programme in the Niger Delta and the West African subregion; an entrepreneurship training and coaching programme for young Algerian graduates; and on-demand training and capacity development activities offered to Member State delegates and diplomats in the area of United Nations intergovernmental machinery and topics relating to multilateral diplomacy.

121. Other training courses driving exchange revenue were the joint International Master's Degree in Conflictology; tailored face-to-face training offered to the UNITAR target audience; and fee-based courses offered to individuals through face-to-face training, seminars, workshops or e-learning courses.

122. Exchange revenue also includes fees for satellite imagery analysis services. These services provide support to the United Nations system and other organizations in the areas of disaster response, humanitarian operations, human security and the application of international humanitarian law, and human rights.

123. The UNITAR Decentralized Cooperation Programme has established a global network of 16 training centres called the International Training Centres for Authorities and Leaders (CIFAL) Global Network. These centres are affiliated with UNITAR and are required to pay a mandatory annual affiliation fee. Located across Asia, Africa, Europe, the Americas and the Caribbean, the centres deliver many training events to the UNITAR target audience.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Training fees	2 689	2 311
UNITAR Operational Satellite Applications Programme activities	489	442
Affiliation fee from training centres	348	437
Other revenue	222	227
Total revenue from services rendered	**3 748**	**3 417**

Note 18
Expenses

Employee salaries, allowances and benefits

124. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Salaries	5 656	5 138
Allowance and benefits	2 935	2 823
Post adjustment	2 238	2 113
Total employee salaries, allowances and benefits	**10 829**	**10 074**

Non-employee compensation and allowances

125. "Non-employee compensation and allowances" consists of consultant and contractor fees, ad hoc experts and non-UNITAR personnel compensation and allowances.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Consultant fees	4 510	3 836
Total non-employee compensation and allowances	4 510	3 836

Grants and other transfers

126. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Contractual services	2 829	2 008
Outright grants	1 609	1 098
Staff and personnel costs	640	268
Travel	530	246
Supplies, commodities and materials	183	43
Programme support costs	35	18
Equipment, vehicles and furniture	90	7
Total grants and other transfers	**5 916**	**3 688**

127. During 2017, a total amount of $0.183 million relating to individual grants of $30,000 or below provided to implementing partners was expensed outright, in line with the United Nations accounting policy on advance transfers to implementing partners.

Travel

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Travel of staff, consultants and non-staff	2 317	2 275
Total travel	**2 317**	**2 275**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Satellite images	575	306
Acquisition of office equipment and supplies	261	277
Operational maps	183	91
Other supplies	2	2
Total supplies and consumables	**1 021**	**676**

Other operating expenses

128. Other operating expenses include loss on currency fluctuations, maintenance, utilities, contracted services, training, security services, shared services, rent, administrative fees and doubtful debt and write-off expenses.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Training	1 178	989
Rent — office and premises	608	593
Contracted services	539	515
Communications utilities	376	426
Expense recognized for contributions in kind — premises	492	411

	31 December 2017	*31 December 2016*
Joint administrative fees	97	198
Other expenses	57	42
Net exchange loss	43	44
Stationery and office supplies	43	49
Shipping/freight services	18	29
Loss on disposal of property, plant and equipment	1	1
Write-offs	76	–
Total other operating expenses	**3 528**	**3 297**

Note 19
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Note	*31 December 2017*	*31 December 2016*
Financial assets			
Held-to-maturity			
Investments — time deposits		2 000	600
Non-call bonds		11 062	10 051
Total investments		**13 062**	**10 651**
Loans and receivables			
Cash and cash equivalents: internally managed	6	124	3 120
Cash and cash equivalents: time deposits	6	4 200	1 100
Cash and cash equivalents: non-call bonds	6	–	901
Total cash and cash equivalents		**4 324**	**5 121**
Voluntary contributions	7	15 651	10 637
Other receivables	8	315	723
Other assets (excluding staff advances and prepayments)	10	2 581	2 220
Total loans and receivables		**18 547**	**13 580**
Total carrying amount of financial assets		**35 933**	**29 352**
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	12	1 121	1 894
Total carrying amount of financial liabilities		**1 121**	**1 894**
Net revenue and expense from financial assets			
Investment revenue — time deposits		65	76
Interest income on non-call bonds		152	56
Amortized income on non-call bonds		(29)	(18)
United Nations main cash pool investment revenue		–	–
United Nations main cash pool financial exchange losses		–	–
United Nations main cash pool unrealized gains		–	–
Total net revenue from financial assets		**188**	**114**

Movement in short-term investments not classified as cash and cash equivalents: time deposits

(Thousands of United States dollars)

	2017	*2016*
Balance as at 1 January	**10 651**	**10 000**
Purchases of investments	19 571	20 115
Sale of investments	(17 133)	(19 450)
Amortization	(27)	(14)
Balance as at 31 December	**13 062**	**10 651**

Financial risk management: overview

129. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

130. This note presents information on the Institute's exposure to these risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

131. The investment activities of UNITAR are carried out by UNDP under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNITAR. Investments are registered in the Institute's name and marketable securities are held by a custodian appointed by UNDP.

132. The principal objectives of the investment guidelines (listed in order of importance) are:

(a) Safety: preservation of capital, provided through investing in high-quality, fixed-revenue securities emphasizing the creditworthiness of the issuers;

(b) Liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-income securities and by structuring maturities to align with liquidity requirements;

(c) Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

133. The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UNITAR receives a detailed monthly investment performance report from UNDP, which shows the composition and performance of the investment portfolio.

134. The risk management practices of UNITAR are in accordance with the UNDP investment management guidelines. An investment committee periodically evaluates investment performance and assesses compliance with the guidelines and makes recommendations for updates thereto. Other than those disclosed, UNITAR has not identified any further risk concentrations arising from financial instruments. There were no significant changes in the UNITAR risk management framework in 2017, as

the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

135. UNITAR defines the capital that it manages as the aggregate of its net assets. Its objectives are to safeguard its ability to continue as a going concern, to fund its operations and to fulfil its mandated objectives. UNITAR manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

136. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, and credit exposures to outstanding receivables. The carrying value of financial assets less impairment is the maximum exposure to credit risk.

Credit risk management

137. UNITAR is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, financial instruments and receivables (exchange and non-exchange).

138. With regard to its financial instruments, the UNDP investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

139. Investment activities are carried out by UNDP; under normal circumstances, UNITAR offices are not permitted to engage in investing.

140. Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate the credit risk of financial instruments. As at 31 December 2017, the Institute's financial investments were in investment-grade instruments as shown in the table below (presented using Standard & Poor's rating convention).

(Thousands of United States dollars)

31 December 2017	*AAA*	*AA-*	*AA*	*AA-*	*A+*	*A-*	*Total*
Money market instruments	–	–	–	6 200	–	–	6 200
Bonds	2 783	–	1 757	3 022	2 000	1 500	11 062
Total	**2 783**	**–**	**1 757**	**9 222**	**2 000**	**1 500**	**17 262**

Credit risk: receivables

141. A large proportion of receivables is due from entities that do not have significant credit risk. As at the reporting date, UNITAR did not hold any collateral as security for receivables. UNITAR evaluates the allowance for doubtful receivables at each reporting date. An allowance for doubtful receivables occurs when there is objective evidence that UNITAR will not collect the full amount due. Allowances credited to the allowance for doubtful receivables general ledger account are utilized when management approves

write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. There was no movement in the allowance for doubtful receivables account for 2017, as shown below.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
As at 1 January	–	187
Increase/(decrease) in allowance for doubtful receivables	–	(187)
As at 31 December	–	–

Ageing of total receivables

(Thousands of United States dollars)

	31 December 2017		*31 December 2016*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	14 446	–	9 963	–
Less than one year	1 520	–	941	–
One to two years	–	–	256	–
Two to three years	0	–	200	–
Total	**15 966**	–	**11 360**	–

142. Based on its monitoring of credit risk, UNITAR believes that no impairment allowance is necessary in respect of receivables.

Credit risk: cash and cash equivalents

143. UNITAR held cash and cash equivalents of $4.324 million at 31 December 2017, which is the maximum credit exposure on these assets.

Liquidity risk

144. Liquidity risk is the risk that UNITAR might not have adequate funds to meet its obligations as they fall due. The Institute's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

145. The Financial Regulations and Rules require that expenses be incurred after receipt of funds from donors, thereby considerably reducing the liquidity risk to UNITAR with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to about the amounts receivable.

146. UNDP, on behalf of UNITAR, performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. UNITAR maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: financial liabilities

147. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there were appropriate resources to meet its financial obligations. At the reporting date, UNITAR had not pledged any collateral for any liabilities or contingent liabilities and in the period, no accounts payable or other liabilities were forgiven by third parties.

Maturities for financial liabilities based on the earliest date at which UNITAR can be required to settle the financial liabilities: as at 31 December 2017, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3–12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	–	806	189	126	1 121
Total financial liability	–	**806**	**189**	**126**	**1 121**

Market risk

148. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the revenue of UNITAR or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Institute's fiscal position.

Currency risk

149. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. UNITAR has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to limited currency risk arising from fluctuations in exchange rates. The guidelines require UNITAR to manage its currency risk exposure. Given that the Institute's main cash holdings are denominated in United States dollars, it has limited currency risk and, in conjunction with the low risk for other financial instruments, UNITAR considers currency risk to be low.

Interest rate risk

150. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to changes in interest rates. In general, as interest rates rise, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk.

Accounting classifications and fair value

151. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Note 20
Other revenue

152. Other revenue of $0.300 million (2016: $0) includes revenue from foreign exchange transactions and other miscellaneous revenue.

Note 21
Related parties

Governance of UNITAR

153. UNITAR is governed by a Board of Trustees, which is composed of 15 trustees, including the Chair. The trustees are appointed by the United Nations Secretary-General, in consultation with the Presidents of the General Assembly and the Economic and Social Council. The trustees do not receive any remuneration from the Organization.

154. The members of the Board of Trustees for UNITAR are not considered key management personnel as defined by IPSAS. The Board of Trustees formulates principles and policies to govern the Institute's activities and operations. However, the oversight function of the Board does not include the authority and responsibility for planning, directing and controlling the activities of the entity. The Board approves the work programme as put forward by the Executive Director and Directors, adopts the budget, reviews the structure and composition of staffing and performs other statutory functions, including considering the methods of financing the Institute with a view to ensuring the effectiveness of its future operations, their continuity and the Institute's autonomous character within the framework of the United Nations.

155. UNITAR pays for travel costs, subsistence allowances and office expenses to cover costs incurred by the trustees in the execution of their duties.

Key management personnel

156. Key management personnel are those with authority and responsibility for planning, directing and controlling the activities of UNITAR. The Executive Director, at the Assistant Secretary-General level, and the Senior Manager of the Decentralized Cooperation Programme, at the D-1 level, have this authority and responsibility.

157. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

158. UNITAR had two key management personnel, whose remuneration was $0.697 million over the financial year ended 31 December 2017 (2016: $0.674 million for two key management personnel); such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

159. No close family member of key management personnel was employed by UNITAR at the management level. Advances made to key management personnel are those made against entitlements in accordance with the Staff Regulations and Rules; such advances against entitlements are widely available to all UNITAR staff.

United Nations Development Programme

160. In 2015, UNITAR contracted UNDP under three service-level agreements for provision of services on a cost-recovery basis for the implementation of UNDP-hosted Atlas enterprise resource planning software, for ongoing management of treasury and UNITAR cash and investment activities and for payroll services. These transactions are consistent with normal operating relationships between the entities, are undertaken on terms and conditions that are normal for such transactions in these circumstances and are at arm's length. These three service-level agreements remained valid in 2017.

United Nations system

161. UNITAR is engaged in United Nations initiatives such as joint programmes and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results.

162. UNITAR, as a part of the United Nations system, has transactions and relationships with other system entities. In accordance with IPSAS 20: Related party disclosures, these financial statements need not disclose transactions with other United Nations system entities, as the transactions are consistent with normal operating relationships between the entities, are undertaken on terms and conditions that are normal for such transactions in these circumstances and are at arm's length.

CIFAL Global Network

163. The CIFAL Global Network is comprised of 16 international training centres for authorities and leaders. The CIFAL centres are located across Asia, Africa, Australia, Europe, the Americas and the Caribbean. The centres provide innovative training throughout the world and the network serves as a hub for the exchange of knowledge among government officials, the private sector and civil society.

164. CIFAL-affiliated training centres are established through partnership agreements between UNITAR and a local host partner, which provides human and financial resources to the centres so that they are able to execute their activities in an autonomous manner and retain local control. The Institute's role in the operation of each CIFAL-affiliated training centre is limited to providing academic guidance, support and advice regarding training content and monitoring and evaluation, as well as quality assurance. UNITAR is not involved in the governance of the CIFAL Network and exercises a coordinating role only through an annual steering committee meeting of the CIFAL directors. The CIFAL centres may use the name and emblem of UNITAR only in direct connection with activities jointly defined and implemented with UNITAR.

165. CIFAL-affiliated training centres pay UNITAR an annual affiliation fee in line with the signed partnership agreements or decisions of the CIFAL Network steering committee. UNITAR does not invest in the activities of the training centres or participate in sharing the profits or losses of the centres. UNITAR received $0.348 million (2016: $0.437 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 22
Leases and commitments

Finance leases

166. UNITAR does not have any finance leases, whether as lessor or lessee.

Operating leases and commitments

167. UNITAR holds two leases in place for the use of Geneva premises and one lease for its New York office. The leases in Geneva are one one-year short-term lease agreement between the Fondation des immeubles pour les organisations internationales (FIPOI) and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of CHF 128,561 (at 31 December 2017 rates: $0.131 million) (2016: CHF 183,680 — at 31 December 2016 rates: $0.179 million); and one five-year lease agreement between FIPOI and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of CHF 338,603 (at 31 December 2017 rates: $0.346 million) (2016: CHF 283,484 — at 31 December 2016 rates: $0.277 million). The leases with

FIPOI can be renewed by a notice given to FIPOI not less than six months before the expiration date.

168. The total lease payments recognized in expenses for the period was $1.061 million (2016: $0.941 million). The total operating lease rental expense for the year includes $0.492 million (2016: $0.411 million) towards donated right-to-use arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within other revenue. Future minimum lease payments under non-cancellable arrangements are shown below.

Obligations for operating leases

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Due in less than one year	552	530
Due in one to five years	404	599
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**956**	**1 129**

169. Individual operating lease agreements for photocopiers at headquarters are generally made under the auspices of the overall long-term supply agreements. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

170. At the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $0.512 million (2016: $0.868 million).

171. At the reporting date, the Institute's commitments to transfer funds to implementing partners, based on agreements, amounted to $1.930 million (2016: $1.291 million).

Note 23
Contingent liabilities and contingent assets

172. UNITAR is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims can be segregated into two main categories: commercial and administrative law claims. At the reporting date, UNITAR had no contingent liabilities for commercial and administrative law claims.

173. At the reporting date, there were no legal claims or claims before the United Nations tribunals responsible for hearing claims brought by present and former employees.

174. At the reporting date, UNITAR had no contingent assets.

Note 24
Events after the reporting date

175. No material events, favourable or unfavourable, that would have had a material impact on these statements occurred between the date of the financial statements and the date when the financial statements were authorized for issue.